BULLETIN

MADRAS DEVELOPMENT SEMINAR SERIES

Vol. XXII No. 1 January 1992

8/2/92

An Overview of Trade Policy Changes in India During July to December 1991

Some thoughts on Decentralised Production

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

State Planning Commission

The Union Planning Commission is resuming the old procedure of reviewing the state's proposals for the Annual Plan with working parties for every sector. As a result once more an army of state officials will be proceeding to Delhi to participate in these working party discussions from Madras. In the next month's issue the results of these discussions will be announced. There is no proposal to review the VIII Plan both because of the uncertain resource politics and because the Union Plan is not ready. The Annual Plan also will suffer from the same disability of being discussed and finalised without the overall picture of priorities and resources for the VIII Plan being available to the state and union ministries.

Weather

The weather in November was dominated by the North East monsoon which functioned in full force. Towards the middle of the month a cyclonic depression formed in the Bay which developed into a cylonic storm which swept Tamil Nadu and Pondicherry for 5 days. On the positive side, before the end of the month the state had received its full quota of rain from the North East moosoon though here is another 3 weeks of the monsoon to run. Against the average rainfall of 48cm for the season by mid monsoon the state had received 44cm, most of it during the week November 13 to 20. North Arcot Ambedkar and Dharmapuri districts had a surplus of 107 per cent, followed by Tiruvannamalai Sambu Variyar district at 86 per cent, Salem 80 per cent and Chingleput MGR 78 per cent. There were only 3 deficit districts, Coimbatore and Kamarajar at 40 per cent and Ramanathapuram at 10 per cent deficit. Madras recorded 42.3 cm during the week ending November 20 followed by Chingleput MGR at 37.6 cm and Thanjavur (composite) at 27.8 cm. The effect of this bountiful monsoon needs some detailed consideration.

Water

The heavy north east monsoon is in addition to the good south west monsoon showers reported in previous issues. The Madras city reservoirs — Red Hills, Sholavaram and Poondi — are near capacity, the combined storage being 5751 mcft against the full capacity of 6488 mcft. This is one and half year's water supply to the city. On this basis the government has increased the daily water supply to the city from 50 to 55 million gallons. By November 17, Mettur reached its full level of 120 feet and the people residing in low lying area of the Cauvery and Coleroon rivers having to evacuate to ward off the floods. This is the second time that the Mettur reservoir has filled up this year (see Vol XXI p435). Also most of the dams and reservoirs in the state were full ensuring adequate irrigation water for the year. Further the hydel reservoirs are full and the state's power position is good. On the negative side, the slum dwellers in Madras city and the inhabitants of the other low lying parts of the state have lost their homes, belongings and animals, and some 200 persons are reported to have died in the floods, electrocution and building collapse it caused. Extensive damage to standing crops, irrigation system including tail bunds and channels, national and state highways and district roads, and private property including houses are reported from the rain ravaged districts, 800 breaches of irrigation tanks, over 1000 kms damaged bunds, 1.4 lakh hectares of samba paddy mainly in Quaid e Millet district, followed by Thanjavur and South and North Arcot. 20,000 hectares of paddy crop ready for harvest have been lost. The total damage is estimated by the government at Rs.370 crores in a preliminary study. Second, Madras city had limited storage capacity and so some 22,000 cusecs from the Poondi reservoir's over flow was let into the sea. This is a sound warning to the government to increase the city's storage capacity against the time when the TeluguGanga waters arrive in 1993. Third, Lignite mining in mine 2 of Neyveli Lignite Corporation and power generation at the 630 MW thermal station have stopped due to the inundation of the Second mine. Massive pumping operation can be started; valuable machinary have been submerged by the flood and it is estimated that Rs. 50 crores will be spent to retrieve the machines. The loss in terms of nil power from the second power unit is Rs. 2 crores a day and industrial loss due to the power shortage is estimated at Rs. 80 crores a day. The State government has mobilised its staff and resources for immediate and emergency relief and the union government has released the fourth and last instalment from the national calamity fund to the cyclone affected Tamil Nadu, Karnataka, AP and Pondicherry where the damage has been surveyed by a union team headed by the Union minister of agriculture, on whose report the union government will release additional funds to the southern states along with planning long term measures in the way of crop insurance, switching over to flood resistant and an even better flood survelliance system.

Prices

Before summarising the CSO data now available in its July 1991 issue, the retail price situation in the state should be referred to. While on the basis of the plentiful rains, except for the crops damaged referred to earlier, the crops prospect are bright, the open market price of rice is soaring and was Rs. 7.50 to Rs. 8 a kilo at November end, despite the Public Distribution System selling its rice

at Rs. 4.50 a kg and one crore family card holders getting 12 kg of rice at the heavily subsided Rs. 2.50 a kg the rice prices are not moderating. The government is importing rice from AP, it has made arrangement with FCI for a supply of 17000 tonnes of fine and super fine rice for Madras (12000 tonnes), Coimbatore (3000 tonnes) and Madurai (2000 tonnes), the union government allocation for November was raised to 81,000 tonnes from 60,000 tonnes in October and yet prices are continuing at the high level of Rs. 7.50 to Rs.8 per kg. The government ascribes this to smuggling to Kerala in which some officials are stated to be involved, but there must also be some break down in the PDS and some mismanagement. Not only rice, but pulses at Rs.21 per kg, edible oil (gingelly rising from Rs.39 to Rs. 42 a kg in the last 3 weeks) and coconut retail at Rs.63 per kg, dry chillies at Rs. 50 a kg and vegetables rising by 25 to 100 per cent - all this is source of great suffering for the people, and the government is standing by helplessly watching the scene. The CSO monthly abstact for July 1991 report no change at 197 for April over March on the index number of consumer prices for industrial workers, a rise of 3 points to 798 in April and a sharp 18 points (2 per cent) to 816 for agricultural workers and an actual fall for urban non manual workers by 2 points in Madras to 176 in March and the same 2 points in Salem to 166 on March, 1 points in Madurai and no change at 169 in March compared to 169 in February for Coimbatore and also at 175 in March for Tiruchirapalli. Two comments can be made on the above CSO data regarding Tamil Nadu prices. First, it is dated. There is a world of difference between prices in April and prices in November. Second, the data once more brings out the fact that while the rural (agricultural workers) faced in April a 2 per cent inflation, the urban non manual workers faced a stable price situation.

Power

The power situation in the state in November was normal, except from the last week when as noted earlier due to the flooding of the 2nd lignite mine at Neyveli and stoppage of the 630 MW power plant dependent on the mine, the Electricity Board went in for a certain amount of load shedding. On November 29, the first thermal plant with a capacity of 500 MW stock yard (suspected to be because of sabotage, but fortunately was gradually brought back to functioning by November 30. The Major development in the state in November was the signing on November 25 of an agreement by TIDCO, GP Birla's Mc Nally Bharat Engineering and the BM Khaitan Industries group for the integrated lignite mining and power generation project. This joint sector project will mine 11 million tonnes of lignite a year from the recently discovered deposits at Jayamkondan and also generate 1500 MW power. The project will be established in 3 phases. The estimated cost of the first phase of the integrated plant is Rs. 4000 crores. The State government announces that the promoters are negotiating with some well known organisations abroad for expertise. Also the long pending proposal in the state for the setting up of a 210 MW thermal plant costing Rs. 500 crores, using Australian coal by a consortium of industrialists has come alive with two developments. First, Australia has expressed willingness to supply the coal and also the required equipment for the project as a part of equity. Further on its financing, the World Bank, IFCI and allied financing bodies at home and abroad have stated that they

will finance the scheme. Thus the liberalization policy and the new role in it of the private sector is taking on as against the dithering of the union government on the private sector's participation, on which it has appointed a consultant to work out a 2 part of tariff. This will only delay matters. One other encouraging feature is the willingness of the State government to rationalise the power tariff structure, keeping in view the disparity of the rates of different sectors, notably the free supply to farmers and the high burden borne by industrial consumers. This is important and might become an example to other states because the parlous condition of the State Electricity Boards is due to the tariff policy imposed on them. Further with the union government still resisting the throwing open of mining to the private sector, the state is turning to the NRI and MNCs to help in financing the gas based station in the cauvery basin.

At the national level, thanks to the good south west monsoon. the power situation was normal, even in AP, Karnataka, Orissa and West Bengal. But the Central Electricity Authority has warned of continuing power shortage in the Eighth Plan due to resource constraints. Even the Rs. 1,30,000 crores programme might be reduced to Rs. 90,000 crores and the escalating costs will be scaling down for planned targets for installed capacity. That is, the power deficit will rise from0.8 per cent to 11 per cent and the overall peaking deficit from 16.3 per cent to 20 per cent. CEA had suggested a capacity addition during the VIII Plan of 48,000 MW which the working group of power had scaled down to 38,369 MW, which is now being further scaled down to 25,500 MW of additional capacity for the plan period, for which the Planning Commission has provided a tentative outlay of Rs.67,000 crores. Hence the Petroleum Conservative Research Association accent on the efficient use of energy, particularly in the process industries become important. The NHPC has finalised the plan to execute 6 new projects with a combined installed capacity of 3544MW. The extent to which this will be reduced needs watching. In this connection the mounting arrears of the State Boards to NTPC and NHDC are mounting to over Rs 1500 crores - with Bihar owing NTPC Rs. 180 crores and DVC's Rs. 400 crores. The World Bank is pressing these bodies to collect their debts, as otherwise the bank aid to them will dry up. Two decisions which have been made recently by the Union government will have an important bearing on the power finances. First the Union government has asked all state governments to charge a minimum price of 50 paise per unit of electricity for agriculture, against, the no minimum at present. Second the central power utilities — NTPC, NHPC, DVC, REC, PEC — have been authorised to raise resources from the capital market at 10 percent tax free bonds and are allowed a higher rate of return on their equity from 10 to 12 per cent. These decisions will improve the finance starved power sectors.

Supreme Court on the Water Tribunal award

On January 22, the Supreme Court gave its decisions on the Presidential reference for its advisory opinion in the cauvery water dispute : 1) the interim orders of the cauvery waters dispute tribunal consttiues a report and decision within the meaning of section 5(2) of the Inter state Water Disputes Act of 1956 : ii) and therefore is required to be published by the union government in the official

Gazette under section 6 of the Act to make it effective : iii) the government of Karnataka was directed to release 205 tmcft of water a year from its reservoirs to be available in Tamil Nadu and Mettur reservoir from June to May pending the final adjudication of the dispute: iv) the interim order laid down the time table to regulate the release of water from month to month and directed Karnataka not to increase its area being irrigated by cauvery beyond 11.2 lakh acres: v) the Karnataka cauvery basin irrigation (protection) ordinance 1991 is ultra vires to the constitution as being beyond the legislative competence of the state and the ordinance being made into an Act was unconstitutional because it effects the jurisdiction of the tribunal under the ISNP Act which legislation has been made under Article 262 of the constitution: the obvious purpose of the ordiance was to nullify the effect of the interim order passed by the Tribunal: and vi) the ordinance also challenges the decisions of the Supreme Court dated April 26, 1991 by which the supreme court directed the Tribunal to deal with the interim relief application of Tamil Nadu as it interferes with the decision of the court and the tribunal, it is in conflict with Article 262 of the constitution and is unconstitutional. The government of Karnataka has moved the union government not to gazette the tribunal's decision, as it has filed a petition with the tribunal to review its decision and is moving in every possible way to nullify the supreme court's decision.

Housing Development

With a new set of development control rules being formulated, the categorisation of the Madras Metropolitan Area into 3 tract-George Town for central business district area, the rest of the city and the outer areas - and instead a uniform floor index of 1.5 is proposed. Also the new system will do away with the categorization of building into ordinary, special or multistoreyed and instead relate the number of permitted floors to the plot extent and the road width. Also the existing limitation height is to be removed, subject only to the ceiling of 1.5 times the abutting road width. Finally to cope with the increasing demand for housing and keeping in mind the affordability criteria, suitable amendments for liberalising the parametres of plot extent, plot fronting have been worked out by MMDA, incorporating into the Development Control rules stringent enforcement procedures.

State Loans

14 state governments have announced the issue of their new loans aggregating Rs. 964.74 crores, ranging from Rs: 151.09 crores for UP and Rs. 25.63 crores in Punjab. Tamil Nadu's loan is Rs. 41.09 crores. Along with 10 other states, this is Tamil nadu's second loan (see Vol XXI p373.)

National

Plan

In November there were several preparatory actions for the meeting of the NDC on December 23 & 24 and the final formulation of the VIII Plan in early 1992. On the financial/resources side, the commission has come out in favour of taxing agricultural incomes, the proceeds of which will be ploughed back into agriculture. The KN Raj Committee in the early 70s scenario discussed the issue and recommended a rather limiting duty, setting forth several limitations in the

way of the duty. Now some two decades later, most of these problems are out of the way, there has been massive investment by the state in agriculture and irrigation and on top the various increases in procurement prices have ploughed large sums into the incomes of large farmers, so that the time is now ripe for taxing agr iculture. A second issue raised by the commission is the growing dissaving of the government which was 1.48 per cent of GDP in 1986-89, rising to 2.05 per cent in 1990-91 and estimated for this year at a high 2.4 per cent. This spurt in dissavings should be reduced to 1.4 per cent and this should be further reduced in the future years. This would also stop the wrong practice of financing by borrowing the bulk of investment in government and public sector. Similarly the dissavings of the states in the current year amount to Rs. 2500 crores which should be stopped. A third financial issue raised by the commission is the revision of Gadgil formula which is to be presented and discussed at the forthcoming meeting of NDC. The businsss of revising the Gadgil formula at frequent intervals, the last being at the NDC in 1990, makes little sense. The real thrust of the Gadgil formula is not the means of allocating and distributing the financial resurces between the union states, which is becoming of diminishing relevance, is real impact when it was formulated in 1969 was its provision that total expenditure by the union government of centrally sponsored schemes should not exceed one sixth of funds transferred to the states through the Gadgil formula, which has thus become of marginal importance. Now not only has ceiling been set aside, a number of very costly centrally sponsored schemes, like JRY, as outside the Gadgil formula, which has thus become of marginal importance. Now there is need to get back to this provision from limiting the centrally sponsored projects and for that it may be that NDC should set up a review committee to make recommendations on which it can act, as recommendation of the Narashimha Rao committee of 1980 are now outdated. Finally though the commission keeps saying that the state will be allowed to use 40 per cent of plan outlays according to their own priorities, the reverting to the old style of working groups reviewing all that the State Planning Committees / Commissions have formulated in this Annual / Five Year Plan, as noted earlier gives a lie to this. It is necessary to get back to the decentralization of the planning process which should reach down to the panchayat level and stop this charade of the Union Planning Commission working groups second guessing the Plan details of the states· Further what the commission should be spending its time on and should be presenting to NDC is the outline of procedures and content of indicative planning which the new policy of liberalisation demands. Of this there seems to be little sign. It is still acting as if the Public sector investmant is the key factor, whereas under the new dispensation it is the private sector investment decisions that will be decisive and on this there is need for indicative guidance by the Commission.

Prices

Prices for October declined marginally by 0.6 points - 0.3 per cent, the wholesale index number standing at 209.29 on October 27. On this basis the analised rate of inflation on a point to point basis of the wholesale price index, has fallen from 15.7 per cent in August, to 15.12 per cent in September to 13.3 per cent for the last week of October. On this

basis, the government claims that its anti-inflationary poilcy package referred to in the earlier issues working successfully. But prices are still rising, inflation continues, only the rate of increase of prices and inflation has fallen. Even this must be accepted with several reservations. First, we are comparing the previous year's final statements of prices with this year's provisional statement of prices. Second, if the WPI is corrected for seasonal variations (usually prices dip from August/September to January) there is no real down turn in the price curve. The fall in the annual point to point rates of inflation is really a reflection of an aberration last year, when the normal seasonal down turn did not occur. Third, the WIP is not really a reflection of inflation. In fact the movement of consumers price index is quite contrary of the WPI trends. The CPI has gone up by 1.8 percent in September, with the annualised rate of inflation standing at 16 percent. In 1991-92, in the first 8 months, a 10 per cent increase in CPI has been registered, and with agricultural commodities and other essential items showing the large increase noted earlier, CPI will rise still further. Hence the fact is that while the rate of inflation has been turned down, the future inflation potential of the economy with no relief from imports of goods like edible oils, pulses etc is grim and has to be fought to keep inflation under control.

Budget, Union Loans, Stock Exchange

The news on the budget in November was that the non tax receipt for the year are likely to insrease by Rs. 800 crore over the budget provision (increasing to Rs. 15,800 crores from Rs. 15,209 crores on the one hand, while the projected deficit for the year looks like exceeding the Rs. 7719 crores provided in the budget, on the other. The net RBI credit to government has reached a high level of Rs. 8830 crores on October 4, 1991 against Rs. 7556 crores at that time last year, and even more serious exceeds the budget provision for the whole year. If the budget provision for the monetary deficit is to be adhered to, it means a) no more requests from the government for RBI credit for the remaining 5 months of the year and b) some reduction in the credit already received. This is a difficult task but to avoid inflationary pressure and BOP problems, the budget deficit must not be exceeded. The government set up in November a 14 member committee headed by Justice Bhagwati for approving schemes, institutions and associations for tax concessions. On the union loans front, the government announced on November 25 four loans totally Rs 1000 crores, with subscriptions to be received on December 22, 1991. On the Stock Exchange front, sizable gains in the market are recorded during Vikram Samvat 2047, with the outlook for the coming Samvat 2048 being equally promising, due to the pragmatic approach and the economic reforms of the government along with encouraging corporate performance, a good monsoon and following some easing of BOP pressures. The markets are near their peak, the number of actors has increased and will increase further raising hopes of BSE sensitive index crossing 2000 and even 3000 before long. The next four months will be a very busy season in the primary capital market as the private and public sector units are planning to raise Rs. 13000 crores against the Rs. 1100 crores in the first 7 months and Rs. 2830 crores in the corresponding 5 months of last year. SEBI which was set up for investor protection is hanging fire, as the current government talks vaguely about the company law board and not SEBI providing protection to the investors. This is a futile approach as the

company law board has done nothing for investor protection since it was set up and does not even understand the problems of the small investors. There is no escape from the need for SEBI to be given statutory sanction and that is awaited impatiently. The other issue is the report of the Pherwani study group on August 31 to allow shares and debentures to be priced at market driven level is sound and a departure from the administered pricing of fresh capital practised by the Controller of Capital Issues (CCI). This is justified by CCI by a) the need to take account of the additional share capital arising out of the new issue being built into the net worth from share and b) the low rate of capitalisation of earnings at 15 per cent while the market rate is 20 to 30 per cent. The Pherwani study group recommends overcoming this problem of under valuation of shares through a price mechanism based on the average market price which will align earnings capitalisation to that prevailing in the market. This free market pricing must guard against, insider manipulation which characterises our market, against which the Pherwani group recommends a cap as the last 6 months market price. But even this can be manipulated by the companies. The earlier formula was market driven and was thus preferable. Also there is no reason why all initial issues of a new company should be priced at par as recommended by the group. The securities of good companies will be priced by the market well above par, while the poor ones at below par. This is the case for leaving the pricing of securities to the market.

Financial Sector Reforms

The Narashimhan Committee set up to review the whole gamut of the banking industry, financial institutions and money market presented its final report to the government on November 20. When it is released, it will be reviewed in the Bulletin. On the basis of some advance information, the report which recommends a 2 phase recapitulation and a massive merger of banks has a dissenting note by two of its member economists on the role of government in the banks and financial sector generally. The recapitulation of the equity base of the banks will rest on an Asset Reconstruction Fund to be set up for taking over non performing assets of the banks and financial institutions. The Committee is opposed to the RBI sponsored international banking corporation but proposes some corrective measures on the heavy losses incurred by the overseas branches of the public sector banks. The committee is said to propose a high power appointments board headed by an ex-governor of RBI in order both to reduce the time lags in in appointments to fill vacancies in public sector banks and the chairman and managing director of the bank and to ward off political and other pressures.

Economy

The eeonmy in November recorded a number of developments: First on the financial side, IMF's clearance of the standby credit at the begining of the month, goes along with the World Bank's announcement that India's need for exceptional financing will end in 1996-97. Leaving side this emphasis by the two agencies to ensure that India's immediate BOP problems are met and the confidence of foreign banks and commercial community in India is revived, the important issues are that the government is also preparing to convert IMF's stand by (short term) credit into a larger loan of $ 5 to 7 billion dollars under its Extended Fund Facility. It is not however clear whether the government is preparing itself and the people to accept

and implement the 5 conditionalities involved in this long term EFF from IMF. (The short term stand by loans had almost no conditionalities). The five conditionalities on which the Managing Director of IMF was clear and explicit during his visit to India are a) expenditure reduction aimed at reducing the fiscal deficit, from the present 8.7 per cent of GDP to 4 per cent (which is both debatable because what should be reduced is the revenue deficit, and not concentrating so much on the fiscal deficit which is difficult because it will involve deep cuts in subsidies including food and defence outlay): b) trade reform involving import liberalisation which is removal of quantitative restrictions on imports, and lowering the tariff rates which will involve serious changes in the economy: c) tax reform involving reducing dependence on customs duties, which the trade reform should make possible, but in order not to reduce government revenue shifting the burden to excise, in the form of VAT-which will be resisted by industrialists; d) industrial policy reform, the main issue being exit policy which is being firmly resisted by all the trade unions and e) public enterprise reform including closure of sick public enterprises, price rationalisation and eliminating of budget support for public enterprises, which face a blank wall at present. Our reform policies are coming thick and fast, how they can overcome the long period of wanting is important. Second, November also saw various estimates of the rate of growth of the economy. In August RBI was doubtful about 1991-92 recording 3 per cent compared to the 5 per cent of 1990-91. In November the Finance Minister referred to the rate of 3 to 3.5 per cent. The rate of growth will be a reflection of the economic slow down caused by squeeze on imports and though the foreign currency reserve is improving to above Rs. 6000 crores in November due to IMF and NRI funds. The aim is to reach Rs. 10,000 crores and so there will be no let upon the import curbs. Will there be a flood of foreign investments as the financeminister hopes: as of November there are no signs of it. One positive sign is that NRI funds are slowly cropping up - from Rs. 7490 crores in July to Rs. 7595 crores in October, though the aggregate deposits under foreign currency non resident account has fallen from Rs. 15013 crores to Rs. 1414 crores during the period. This means that the country is yet to build the international and internal concense for the success of the reform programmes. With the short fall in customs collection, it looks as if the government will have to cut both plan and non plan expenditure to stay within the fiscal deficit limit of 6.5 per cent of GDP this year. Two surveys of NCAER show that industry fears a depressed demand as a result of inflation, excise duties and higher prices and a slower export growth which is expected to grow only by 3.9 per cent for the whole year to which the new trade and industrial policies have brightened its long term expectations. Third, in December the government continued its reform package. To attract speedier foreign investments, it has decided to further liberalise the company laws and FERA provisions. It also announced decontrolling 43 more additional export items ranging from ferro alloys and non ferrous metals to silver and gold jewellery and cashew kernels. It has also stated that it is setting in motion a gradual easing of import and monetary curbs. The government announced in November that it has redeemed the entire 46.9 tonnes of gold pledged to the Bank of England and Bank of Japan and that it is planning to start a National Gold Bank which will offer various incentives to attract the gold holdings of the public.

Finally the government reports that the implementation rate of Nehru Rozgar Yojana is very unsatisfactory, with states union territories still to account for over Rs. 92 crores released by the union government. Even 2 years after launch, of the Rs. 217.36 crores released by the scheme, only Rs. 124.53 crores have been spent, the most serious laggards being Gujarat, Rajasthan, UP and Orissa. In addition most problems of the scheme of urban micro enterprises is either the lack of understanding of the scheme and/or frittering away its resources and ill kept records. Major problems arise when banks when approached for loans ask for ration cards or residential address which were not forthcoming and the absence of any monitoring system. Infant the question has been asked whether the programme which is doing little for the urban small enterprises for which it is meant should not be wound up. The government announced at the end of November that the 3 amnesty schemes whose term was to expire on November 30 have been extended to 1 February 1992 (see Vol XXII p378). Thus the economy presents a mixed picture; it is too early to see the effects of the reform policy package. IFCI's Annual 43rd report for 1990-91 places the GDP growth rate for that year at 4.5 per cent (against the RBI's 5 per cent) and attributes the large budget deficit to the third oil shock following Gulf crisis.

Industry

In the industrial area, November recorded several important decisions. First, the government decided in November to do away with the actual user norms for imports, and so the phased manufacturing programme (PMP) has been discontinued as the Actual user norm was used to monitor the progress of the companies which were committed to introducing a specified content of local output over a specified time. Now as these companies can import their requirements, on OGL the government cannot check on whether the companies are keeping to their promised schedule of indigenisation and taken with the new industrial policy, PMP has been given up altogether. This will have important results on the country's industrial capacities as the producer will now decide on the basis of prices and quality whether to use Indian or foreign components for the final product. This is to be commended from the efficiency of allocation of resources, but whether the complete giving up of the insistence on local content (which all industrial countries insist upon) is sound and doubtful. Second, large mega projects whether in the public or private or joint sector are likely to have low priority rating in the VIII Plan given the overall resource shortage. This will affect the plan for crackers complexes, including Tamil Nadu's project. Third, the government's decisions to refer all sick public sector units to BIFR to decide on their future is the subject of a bill just introduced in Parliament in Novemcer. Fourth, Indian companies are to be allowed to convert their foreign loans into equity to be subscribed by NRIs and existing foreign companies are to be allowed to raise their equity participation in Indian companies to 51 per cent. Fifth, effluent discharged linked pollution fee varying with the estimated damage done to the environment are to be levied. Sixth, government reports that 50 foreign technology and investment proposals involving equity participation of $1368 million by foreign companies were approved in just over a month - between September 16 to October 24. Seventh, input - output norms for 73 more export items have been announced by the commerce ministry. Eighth, on individual industries

a) the revised drug policy now submitted by the committee to the cabinet incorporates the competition criteria recommended by the Kelkar panel several years ago for exclusion of drugs from price control. Two lists of drugs have been submitted to the committee - one containing 75 drugs and the other 95 drugs to choose from, along with a third list which has only 50 drugs. The new drug policy will have only one category of drugs with a uniform MAPEC (maximum allowable post manufacturing expense) of 100 per cent. The existing basket of 150 controlled drugs was too large for the government to manage, as BICF can handle cost studies only for 15 to 20 drugs a year. b) NTC in its programme of restructuring its textile mills has decided to merge 3 chronically loss making units which are "unrevivable" on their own. In fact the government has decided to withdraw all budgetary support to NTC which will result in pruning the loss making units. The textile ministry has mooted a Rs. 550 crore voluntary retirement scheme to provide financial help to work who are displaced. The government should also act on the Abid Hussain Committee recommendation to make provision for training surplus workers in new jobs. c) The Railways have decided to privatise the manufacture of wheels and axles, allowing ancillary units to manufacture components for locos and coaches. In place of the 100 per cent. imported items, the private sector is being permitted to manufacture wheels and axles used in diesel and electric locos. d) Sugar production in the country during the sugar year October 1990 is September 1991 went up by 10.55 lakh tonnes to 120.46 lakh tonnes, against last year's offtake of 107.14 lakh tonnes. India is emerging as an important exporter of sugar. The government has issued revised guidelines for licencing new and expanding existing sugar factories for the current year and the VIII Plan 1992-1993. Now sugar factories are to be licenced for a minimum of 2500 tonnes cane crush capacity per day with no limit on the maximum. This applies also to the public and cooperative sector. In this connection the Supreme Court decided that sugar factories do not come under the water cess act and so do not pay the water cess. e) The government has announced that state government are free to import edible oils with foreign exchange resources that they earn. Under this provision the Tamil Nadu government will be importing 18,000 tonnes of edible oil at a cost of Rs. 17 crores. f) The electronic industry which made a spectacular increase in the mid 80s. will this year slump to a growth of 1.8 per cent according to the Department of electronics. Both production and exports have declined in part due to a surfeit of demand and in part because the export processing zones had to cut back their sales to the USSR.

Public Sector

Earlier reference was made to several matters about the public sector including the referring to BIFR of sick units, and the withdrawal of budgetary support to them. In this connection, the withdrawal of budgetary support to the public sector drug companies have led to their going broke and being unable to obtain credit. The units are IDPL, BCL, SSL & BIL. The cabinet has approved disinvestment of government equity in 32 public sector units which include large units like MMTC, STC, Bharat Heavy Electricals, Hindustan Zinc, SAIL etc. The heavy industries under the Department report achieving 36 per cent higher production in September at Rs. 709.52 crores.

National Production Front

Steel

SAIL plants increased crude and saleable steel production by 14 per cent during the first 6 months of tha fiscal year and had put into the market a record 3-4 million tonnes during April-October, according to the department which also forecasts that steel production will go up at the rate of 12 per cent and that the total steel production during the VIII plan will be 53 milion tonnes. SAIL is planning to produce 7.9 million tonnes of steel this year according to the Department. Production of pig iron during the year will be 6 lakh tonnes, to which Vizag will add 5.5 lakh tonnes and secondary products 1.10 lakh tonnes. Sponge iron companies are facing a sellers market because the import of ferrous scrap is limited due to foreign exchange shortage and so the demand for sponge iron is growing.

Crude

In November the major emphasis in the crude and gas area was on the supply side. OIL reports striking crude in Assam and Rajasthan. A number of multinationals coordinated by ONGC have stated that they are all ready to enter in the petroleum sector. On the gas front, the Union government has cleared the Rs. 700 crores World Bank-ADB aid project but the World Bank condition that ONGC loan will depend on its being revamped should be firmly rejected. Whether ONGC needs some reform should be decided by the ministry. In fact ONGC's major prospect in Bombay High will wipe out its production shortfall. Petroleum refining capacity is to increase by 8.20 million tonnes to meet the growing demand during the VIII and IX Plan. The need to ensure effective use of natural gas and the efforts to intensify petroleum conservation on the basis of Pete Agram will be strengthened with the approval of the World Bank aided project for reducing the flaring of gas. CIL and the West Bengal government are working on a project to ensure increasing use of coal gas from the Dankam coal complex, which will be part of the Planning Commission's overall national energy efficiency programme to be launched shortly. The only dark spot in the crude picture is that OIL reports that unlike last year when it made a profit of Re. 70 55 crores, it may run into a loss of Rs. 70 crores this year because of the effect of devaluation and the non revision of crude prices over 10 years.

Coal

The coal target for 1991-92 has been fixed at 228 million tonnes. The government states that the coal controller is to be vested with authority to look into consumer complaints about quality of coal supply, particularly as coal consumers have responded overwhelmingly to the cash and carry scheme. The government plans to invite the the private sector to set up coal washeries to augment the supply of washed coal. The government announced in November that the imports of all grade of coal will be placed under OGL, with the possibility of reducing the current rate of import duty of 90 percent.

Non Ferrous

Hindustan Zinc which anticipated a surge in its output of zinc and lead at 1.45 lakh tonnes and ore at 26.46 lakh tonnes in 1991-92 has signed a memorandum of understanding with

the ministry. Its major highlight is the commissioning of the Chanderiya lead zinc smelter. It also provides for improvement of productivity norms. It reports a Rs. 1000 crores expansion plan during the VIII Plan. The government's plan to disinvest Hindustan Zinc's equity was earlier referred to.

Agricultural Production

The news on the agricultural front in November is not encouraging. The government informed Parliament on November 23 that the kharif foodgrains production is likely to fall short of the target of 193 million tonnes this season due to the long dry spells and weather condition particularly in the northern and western parts of the country - Bihar, Haryana, HP, MP and Rajasthan. To make up for this shortfall the rabi strategy for 1991-92 has been drawn up in consultation with the state governments by the national conference on agriculture for the rabi campaign. Maharashtra reports uncertainty about rabi crop cultivation due to inadequate rainfall which affects the unirrigated areas - which are Kenkar, Nasik, Pune, Kolahpur, Aurangabad, Latur, Amaravathi and Nagpur. Even the Kharif crops have been affected by the adverse climate at a critical phase of their growth. On the procurement front, wheat procurement is at a record 110.24 lakh tonnes in the 1990-91 rabi marketing season. In rice procurement, while kharif 1990-91 procurement was 128.56 lakh tonnes, in the 1991-92 season 19.17 lakh tonnes were procured upto October end 1991 against 22.07 lakh tonnes on the same date last year. The Department wants the Planning Commission to allocate Rs. 1500 crores for the scheme to dig wells and tube wells for small and marginal farmers during the VIII plan 1992-97. It is important to see that this benefit if approved, goes to them and is not diverted to the large farmers.

Foreign Trade and BOP

The government reports that country's trade deficit during April-September declined by 44.4 per cent to Rs.2355.66 crores against the previous year's 4223.64 crores. The decline in dollar terms was steeper by 57.9 per cent at $ 1021.43 million against $ 2426.45 million in April-September 1990-91. Exports rose in rupee terms during the period at Rs.1871.22 crores against the previous year's Rs. 1596.91 crores but declined by 6.2 per cent from $ 8652.66 million 1990-91 April-September to $ 8113.32 million in 1991-92. Imports during the period increased by 9 percent in Rupee terms from Rs.19330.84 crores to Rs. 21069.93 crores but declined in $ terms from $ 11079.13 million to $9134.75 million - a fall of 17.5 per cent. The government on this basis states it is slowly containing the decline in exports. A study by the Economic Times Research Bureau reports that though overall the corporate sectors are spending more in foreign exchange than earning it, the gap is narrowing. 398 large and medium companies increased their foreign exchange capacity by 18.1 per cent between 1989-90 and 1990-91. Though their foreign exchange expenditure outstripped their earnings in both years, the gap narrowed from Rs. 927 crores to Rs. 330 crores, only 10 of the top 5 companies being net spenders of foreign exchange. RBI studies show that private limited companies have a similar record. The Federation of Indian Export Organisation which has condemned the decision of government to increase the threshold limit for recognition on export houses (from Rs. 4

crores to Rs. 6 crores), trading houses (from Rs. 20 crores to Rs. 25 crores), and star trading houses (from Rs. 75 crores to Rs. 125 crores) shows the position of the large companies. The RBI announced in November relaxation of restrictions in financing of imports related to exports. This along with the relaxation of the import curbs on capital goods and RBI's selective relaxation of margin on imports related to exports represent a positive step to boost production and exports. The government states that import curbs will be lifted when foreign exchange reserves touch $ 2.5 million (about Rs. 6500 crores). At present they are $2.1 million. The target is likely to be reached in early December. At November end the government informed Parliament that the reserves reached Rs. 7000 crores—8 months imports. This rise should not cause too much optimism as a good deal of it is due to its devaluation. Some decisions affecting foreign trade made in November include : a) the government will create a Directorate General of International Trade, as the apex body to handle the country's exports and on this a bill is being introduced in this season. b) the government announced on November 19, as noted earlier, that automatic approval from the RBI will be given to foreign equity holding companies to increase the stake to 61 per cent. Companies exclusively engaged in high priority industries an increase in foreign equity to 51 per cent. c) the steep decline in November in the premium for Exim scrips to about 21 per cent from over 40 per cent has raised doubts about the efficacy of Exim scrip as an export/import incentive. Will the government try to shore up the rate? Will the customs duty be lowered to compensate importers for the high premium they paid to exporters on Exim scrips · d) the government has set up a committee under the chairmanship of C Rangarajan, Member, Planning Commission to make medium term projections on the country's BOP position and recommend steps to be taken to bring down the current account deficit to sustainable levels. e) the US has announced that it has put off retaliatory action against India under special 301 of the US Trade Act possibly because the US wants India to change its position on patent laws (on pharmaceuticals, and motion pictures as it has changed its position on trade marks and copy rights. However it has, in response to India's appeal, increased India's excise quota from 400 to 450 million sq metres, really from 381 million sq metres to 448 million sq metres. The importance of this agreement is i) it enlarges the Indian quota by 67 million sq metres and through better quota utilisation which is provided in the agreement can be increased to 71 million metres, ii) the new agreement provides greater flexibility in the use of the quota, making possible greater export of knitwear products, cotton products and man mades, and iii) sets an example for similar agreements by other industrial countries like Canada. On individual items of export, exports of cotton textiles will exceed the year's target of Rs. 2703 crores as at the end of the first 6 months of the year, textile export are 60 per cent ahead of the target. Exports of handicrafts exceeded their target of Rs. 1220 crores in 1990-91, earning Rs. 1220 crores foreign exchange and growing at 21 per cent and seem all set to attain, if not to exceed, the export target of 1991-92 of Rs. 1440 crores. Another good export earner is marine products in which in 1990-91 a record 1 40 lakh tonnes was recorded earning Rs. 593 crores which was a 40.09 per cent increase. For 1991-92 the export target is Rs. 1600 crores and in

the first five months Rs. 447 crores have been earned.

Aid and loans

The major part of the concessional loans to India during November was from the UN agencies. As reported earlier, IMF approved on November 1 a standby credit of $2.26 billion, with a first instalment on it of $100 million being immediately advanced. The World Bank has offered to lend $500 million from its IDA portfolio to assist in establishing a National Relief Fund. It has extended an IDA credit of Rs. 300 crores for Pollution Control of Indian industries. It has also approved a loan of Rs. 375 crores for the integrated forestry project in Maharashtra. The International Finance Corporotion has sanctioned a second loan of $ 10.5 million to Gujarat Fertilisers Corporation for completing the ongoing caprolactum expansion programme. ADB has approved technical assistance for $ 350,000 to help develop the country's Mutual Fund industry and $100 million to upgrade the Karnataka power system. UNIDO has approved a $15 million dollar assistance programme for the leather and leather product industry. Canada has offered a package of $250 million to assist the Kashmir Chamer II hydro electric project. Indian Finance Corporation has obtained a time credit of DM50 million (Rs. 80 crores) from BHP Bank, Germany to finance import of capital goods from Germany. ANZ Grindlays has in London syndicated a $125 million import facility for IOC. These loans and aid are the beginning. The commercial market is still not open to India because of the low credit rating given to it by international credit rating agencies.

International

World Economy

UNCTAD in its report to the Development Board presented to its eighth session in February 1992 calls attention to the fact that the adjustment programmes prescribed by the international agencies, the World Bank, IMF produce "substantially negative impact" on public and private investment, which is the crux of the development process in the developing countries. The process of adjustment has not only not been compatible with growth in a large number of countries, but also adjusting to the deficit balance of payments through import cuts and currency devaluation has brought them considerable fiscal damage. Policies in these areas worked directly to raise budget expenditures and reduce revenues and the typical reaction was to cut expenditures other than interest payments on debt and to increase charges for goods and services. But when social and political limits to these kinds of response were reached, the result was rapid spurt in domestic debt or monetization of the remaining budget deficit. These made the budget problem more intractable, through the financial disorder which cannot be tackled by these means, worsened external resources constraints and the adjustment process also. For many countries a substantial growth of savings both public and private, depended on expanded export earnings, besides making it difficult to both restructure their economies and meet their debt service obligation. It points out that developments in the field of global trade were negative for many developing countries. BOP pressures mounted, with the proliferation of trade barriers, specially against exports of manufactures. The

multilateral trading system, conceived as an arrangement based on the principles of transparancy and non discrimination continued to be eroded. It includes with words which seem particularly appropriate at this time of the skewed Uruguay Round! "growing tendencies towards managed trade were accompanied by increasing reliance on the exercise of economic might rather than the observance of agreed rules". Spices exports declined in the first half of the year due to the steep decline in pepper exports from 18108 tonnes last year to 8575 tonnes this year.

GATT

As the Uruguay round of GATT nears its second deadline of December 31, 1991, two issues stand out marking its virtual failure. First, despite the publicity given over the attempt by President Bush to personally intervene in the deadlock over agricultural subsidies between the US and EC and the subsequent publicity about the two sides having made compromises on the issue, so that the EC agreed to reduce the subsidy by 30 per cent and the US lowered its demand for its total abolition, the deadlock really continues with the US and EC negotiating to resolve all specific issues connected with this overall decision and failing to do so. EC and US officials had earlier acknowledged that the EC Director General of agriculture and the US agriculture under secretary had made no progress in their one day meeting in settling significant outstanding differences between them over agriculture. Meanwhile the EC camp is divided between those countries which have dug in their heels and say no more concessions, and the countries which want to give the commission flexbility in negotiation. Besides Japan and Canada object to the GATT Director General's blue print of "comprehensive tarrification and subsequent reduction of all barriers to farm imports". Second, the issues which concern the developing countries the tariff and non tariff barriers like the Multifibre Agreement are not being addressed. In fact the latest is the EC Vice President, joining Ms Carla Hills, on his offer to increase the access to European markets of textiles from the developing countries provided they opened key sectors,— industry, trade, communication, banking, insurance etc. and accepted the unfair patent regime. Thus like super 301, the agreement which is defiance of GATT principles, is being used to get the developing countries to follow the line of the industrial countries. Actually with most developing countries including India, opening their doors to foreign private investment, EC and US ought to meet them half way by dismantling textile quotas and other non tariff barriers. Instead, the Uruguay round is degenerating into a mechanism to keep under control investment and knowledge of crops production, medicines and materials that promote peoples well being. This, when whole world is moving towards the market, will alter the flow of goods, investment and the movement of capital and technology. Subjecting the transfer of technology and the modernisation of the economy to monopolistic conditionalities not only goes against the logic of raising the efficiency of investment but also points to the possibility that the failure of the Uruguay round on the basis of the current position of the industrial countries may be in the interest of the developing countries. This would be a pity because we will be left with a world saddled with all kinds of barriers to trade, blocking both the development of the developing countries and emergence of a global environment.

International flow of Resources

A World Bank report states that the availability of external finance for the developing countries in the medium term will remain difficult. Net flows are projected to increase at 8.9 per cent a year in 1990-92, which are lower than the developing countries export earnings, but because of a) the huge external debt of the developing countries, b) relatively high interest rates, and c) rising remittances from profits on the growing stock of direct foreign investment, aggregate net transfers will only be slightly positive by 1995. The net flows of $117 billion for 1995 will support a current account deficit in developing countries of $70 billion or 1.6 per cent of their GNP. This low level of external finance means, that if there is to be any investment in these countries it will only have to be from domestic savings. All talk of encouraging external capital flow seems devoid of substance.

World Food

The International Rice Research Institute underlines the need for intensified research against the global and Asian shortage of rice by 2000 AD. In its work plan for 1990-94 it states; a) growth in rice yields has virtually ceased, b) the rice crop area is not expanding. c) weather and price are contributing to the stagnation in rice products. With the decreasing public investment in irrigation, and in rice research in many major developing countries due to i) depressed world rice prices, ii) heavy debt burden, iii) general budget constraints, iv) the limited possibility of increasing the crop area in rice especially in favourable eco system, and v) rising irrigation costs, the Institute fears that even its low projection of rice production in the future may not be realised. Hence it states increasing rice productivity through that tecnological change is the only means of maintaining rice prices for consumers, for achieving National food security and preventing a fall in farmers incomes. Hence research into new technology for rehabilitating marginal and other lands is inescapable.

G-15 Summit

The Group of 15 developing countries set up by the nonaligned conference at Zimbabwe in 1989, meeting in Caracas, Venezeula decided to promote South-South cooperation through: a) cooperation in food security, b) population and family planning, c) establishment of a gene bank among developing countries, d) application of solar energy, e) application of financial mechanism for promoting trade among countries of the South-through SITT, DEC projects to promote and disseminate information on investment and trade opportunities in the South and on technologies and transfer of technologies among developing countries. Three heads-those of Argentina, Brazil and Egypt were absent which showed their lack of interest in the summit. Yugoslavia was also absent because of the conflict in the country. The group, which was formed before the dramatic international events and those that characterise 1990 and 1991, is still searching for its rationale in the changed world situation. Also the group was divided between the countries which wanted G-15 to work with G-7 and those who wanted G-15 to pursue an autonomous role. The summit approved suggestions for a new international order of cooperation and development covering both political and economic needs.

ILO survey on teachers

The ILO report based on its survey states that teachers work load world wide has increased in recent years, due mainly to administrative duties falling on them by additional rules and regulations. Their teaching hours have been constant but work load increased because of expansion in subject matter and teaching]methods. Some parts of the increase is due to the increase in unruly pupils and the increase from students from under privileged families. To counter the stress and time pressure of the work day, ILO recommends i) reduction in the teacher work load that is not related to teaching, ii) continuing slow but steady reduction in class size in middle and higher income countries and revision of upward trends in most low income countries, iii) provision of adequate in service training programmes to update the teachers knowledge and skills and bring in variety, iv) more and better class rooms, and v) improved teaching materials. The problem created for education and teachers by structural adjustment and cost containment leading to salary and recruitment freezes are highlighted as calling for particular attention.

II. Agricultural Development in Tamil Nadu

Agriculture in the VIII Plan

The state has drawn up a Rs.503 crores plan for agriculture in VIII Plan. What will finally be approved depends on the union government and Planning Commission indication of the resources likely to be available for the VIII Plan. However the state government and the Planning Commission have taken the first step to getting agriculture in the state ready for the VIII Plan. The Plan's main emphasis is on i) agriculture and water shed development, ii) agricultural crops, iii) greater attention to fodder cultivation, sericulture, horticulture and agro based industries iv) providing the farmers with alternative sources of income, when the main crop fails, and v) dovetailing the Rs. 309 crores World Bank agriculturul development scheme with the Plan scheme for 1992-93 to 1996-97.

Paddy and other Crops

Till early November the farmer all over Tamil Nadu and the government were satisfied with the farming conditions in the state, with the setting of 62.5 lakh tonnes plus target and the 22 lakh hectares under samba and 4 lakh hectares under kuruvai and navarai. The government also took up a Rs. 150 lakh scheme for wasteland cultivation, taking up 25,000 acres in 166 crops this year. The timely and adequate rainfall all over the state, including perennialy water short Dharmapuri where farmers were more than satisfied with the South West monsoon which gave them 25 per cent excess and where the North East monsoon broke in time all over the state meeting, the needs of farmers, who agreed with the government's target of bringing an additional 1 lakh acre under samba and

navarai paddy not only in the Cauvery area but also in Chingleput-MGR, North Arcot Ambedkar, Tiruvannamalai-Sambauvariayan and South Arcot districts. But by mid November when the storm and heavy deluge had hit the state farmers in Thanjavur, Nagapattinam and Quaide e Millet districts they found 2 lakh acres of their samba crops submerged. The worst affected areas were Vedaranyam, Tiruthuraipoondi, Muthupettai Tharangapadi, Srikhazi and Thittachery, and here the farmers could do nothing but wait for the rains to stop and for their fields to give them a chance of draining them. The damage to the farmers in crops and paddy yield can only be assessed in December. Meanwhile the state government is involving them in developing a strategy for raising a short term paddy crop in these flooded and flood affected areas. The flood dominated areas are around 2.4 lakh hectares and the farmers could use the moisture and the alluvial reminants left by the floods and the short term quick yielding seeds that the state will make available to them. This short term paddy crop in the flood affected coastal districts and the extended navarai crop in the 4 internal districts are what the farmer is looking forward to. The farmers have, fortunately, harvested the 41,000 hectares kuruvai crop including the 3300 hectares in the delta from where 57,000 tonnes of paddy were procured by TNSC upto early November. The groundnut crop which was harvested over 6.67 lakh hectares are now being extended to the normal 10.76 lakh hectares. The farmers in Thanjavur will raise pulses in the rice fallows to reach the normal 10 lakh hectares. Millets were being grown by the farmers over 9.25 lakh hectares and are expected to be extended to reach 14 lakh hectares. Cotton and horticulture are also to be extended, so that the farmer can recover from the floods and maintain, if not increase, his income.

Research results

Of the 37 research reports recorded in November, the results from a group of 5 reports are of immediate interest and value to the farmers. First, a group of 6 reports on rice research is of direct value to the paddy farmer. The IARI, New Delhi reports on an early dual purpose rice variety, Pusa NR 321 for direct seeding and transplanting in the areas with limited irrigation can be of immediate use to our dry farmeres. Resistant to pests like the stem borer, gallmidge, sheath rot, blast, it can replace IR50 in this state and can be grown by the dry farmer in little over 3 months. TNAU, Coimbatore reports on its research on a potential green manure for paddy. Sesbania contributes to nitrogen in 45 to 60 days and can grow under both dry and flooded conditions. The rice research station at Tirur reports on means of countering 8 rice pests, yellow stem borer (YSB) leaf hopper (LH), brown plant hopper (BPH), green leaf hopper (GLH), white hacked plant hopper (WHPH), rice black bug (RBB),ear head bug (EHB), and gall midge (GM), by setting light traps, made up of modified Robinson type light fitted with 200 watt, 100, 60 and 40 watt ordinary lamp, 125 watt mercury vapour lamp, petro max light of 300 candle power, and ordinary kerosene lamp. It reports that the pests LH, BPH, WHPH, RBB and YSB have a high degree of photosensitivity and can be trapped between 6 and 11 a.m. Also the months when each pest occurs has been identified to help the farmer in this pest control operation. Fourth, regional research station, Kovilangulam reports how the climbing cutworm which ravages paddy in certain districts can be controlled through

dusting and using spraying with endosulpher or other such spray. Fifth, TNAU, Madurai reports that Anzolla which is a good biofertiliser for paddy and can be used by the farmer during the NE monsoon when his mass production of Anzolla is possible, makes possible the double cropping of paddy. Sixth, the rice research station at Moncompu presents a means of growing paddy during the South West monsoon without the pest, gall midge, attacking it. The 4 prevention measures can be adopted by our farmers with ease. Second, a group of 6 research reports on groundnut will be of use to the South Arcot groundnut farmer. The Department of Agricultural Chemistry, Bhubaneswar reports its research which shows that [the soil in the state which lack boron, an essential micro nutrient for growing groundnuts can be introduced using borax and various varieties of sodium. The Krishi Vigyan Kendra, Warangal reports that its research shows that the use of gypsum not only checks groundnut diseases like rust but also yields double the crop. The AP Agricultural University reports on its research on means of countering Tikka leaf spot. The four protection steps suggested can be used by the groundnut farmer to stop the pest. The AP Agricultural University has done research on the groudnut pest, leaf miner, which causes huge loss. It suggests 6 measures, starting with destroying alternative hosts ending with insecticidal application, to check the pest. The TNAU centre, Trichy which also has studied the leaf miner threat to groundnut and on that basis states that an incidence level of 9.4 per cent is the threshold level for initiating the controls set forth earlier. Finally the Krishi Vigyan Kendra, Vridachalam on the basis of its study of controlling weeds on groundnut particularly in its early stages recommends the use of herbicides and culture methods to control weeds. Third, a group of 3 research reports on sugarcane is of use to the sugarcane farmer. The Sugarcane Research Station Cuddalore reports on its work on flowering in the sugarcane which terminates the vegetative growth in cane, with no thickening of stalks and loss of weight. It recommends application of 70kg of nitrogen along with some withholding of irrigation in the 4th month to prevent and certainly to reduce flowering. The Sugarcane Research Station, Cuddalore reports the results of the work on sett rot in sugarcane. To prevent it, it suggests selection of good seed setts, and treating them with a combined solution of carbondum and urea. On the basis of its research, it advises sugarcane farmers that to prevent weeding from proliferating, intercropping of sugarcane with red gram, black gram or soya beans, should be promoted and the plants should be carefully set between the rows which the inter-cropping can be arranged. Fourth, for the horticultural farmer the studies at Udagamandalam on Avacado shows that it is best grown between February-April when it flowers and harvested in September. They also have an offseason yield in May—June. The TNAU centre at Kodaikannal, reports on its work to improve the quality and flavour of pears. It suggets that tap working can help in improving both flavour and quality alongwith the use of selected clones like Williams' Jargammu Keiger also known as Valperi. More generally the college of Agricultural Engineering, Raichur has worked on improving the storage of foodgrain and fruits and recommends depleted oxygen storage and alternatives of nitrogen concentration. Fifth, for the animal husbandary farmer, IVRI, Izatnagar reports that lead poisoning in animal needs early and careful treatment.

Preventive measures by keeping the environment where they graze free of discarded bettlevine, used motor oil, lead based plants is a starter. This should be followed by use of calcium versenals at the early stage, followed by thiamine hydro chloride. But maintaining a good level of hygiene is the first imperative. The Tamil Nadu Rice Research Institute reports on its work on ranikhet disease in poultry. It has been found that there is no effective treatment, so preventive vaccination (using vaccine share F), prove effective. The Poultry Research and Development Centre, Tiruchy has worked on mushy chick disease. It suggests on the basis of its study, the use of antibiotics with good sanitation and regular disinfection of the poultry sheds.

Pulses, coconut and acqua culture

Because of the *pulses* production deficiency, the government is bringing 10 lakh hectares under pulses, cultivation which will produce 4.6 lakh tonnes, which will be a doubling of the pulses in the state. For this it is distributing quality seeds and developing a crop specific and location specific technology, along with expansion of the area under short duration and improved varieties. The scheme is at work in 7 districts at a cost of Rs. 38 lakhs a year. A Rs. 50 crore EEC funded project for extending the area under *coconut* and increasing its overall yield is now underway. In the next 5 years, an additional ¿.65 lakh hectares will be brought under coconut in addition to the existing 1.7 lakh hectares. It is being implemented in the traditional coconut growing districts of Thanjavur, Tiruchi, Dharmapuri, North Arcot Ambedkar, Kanyakumari, Periyar and Salem. It is aimed at increasing the per tree yield from 40 to 100 nuts per annum. A major thrust to *prawn* culture in the state is being given by a) setting up an *acqua culture* estate for promoting sea water prawn culture and b) encouraging entrepreneurs to take up brackish water prawn culture on a large scale. The State Fisheries Department had drawn up a plan to set up an acqua culture estate on 100 hectares in Tuticorin at a cost of Rs. 5 crores, on the model of an industrial estate so that entrepreneurs willing to participate in acqua culture will be given plots of different sizes. Power supply and road connection will be provided by the department. The production of prawn in these state will be 8 tonnes per hectare, as an entrepreneur in Tuticorin has already achieved 10 tonnes per hectare. Endowed with a long sea coast, the state can multiply these prawn acqua culture estate through enterprising entrepreneurs. The market is a very remunerative export market both in Japan and Europe.

Plantation crops

The plantation crops in November seem to be developing well. *Tea,* production in 1991 is set to attain the year's target of 735 million kgs, which is a record. Tea production in North increased by 6.8 million kg, South India increased production by 15.6 million kg, with Tamil Nadu and Karnataka registering an impressive rise. With this record, production, the worrisome problem is the increasing domestic demand for tea which at the current rate of 15 kg increase a year to which its exports are added, production will have to cross 715 million kg for the domestic market and 1000 million kg if exports are added by 2000 AD. The export amount is not only falling, and is now 200 million kg, but this decline is not due mainly to increa-

sed domestic consumption. The biggest decline has been the loss of the Soviet market which was India's major tea consumer but this loss is due to internal disruption in the Soviet Union. What causes worry is that Indian tea is having fewer and fewer takers globally. The falling prices (London auctions showed a fall of 10-45 per cent, and in South East Asia Jakarta the fall is more than 25 per cent). This fall goes along with the overseas buyer's complaint of the declining quality of Indian tea. This is because the Indian tea producer, particularly in the North is more intensive in production of quantity than quality. The old bushes are hardly replaced and when that is done the suggestions of research bodies like TRI are ignored. Manufacturing tea in only one variety fetches a good international price, but with rising production costs, like transport bottlenecks, manual cultivation and a reluctant labour force, even manufacturing is becoming uncompetitive. It is essential that tea growers in both North-South should now concentrate on quality. *Coffee* faces a grave problem of a price crash due to the 1989-90 crop being poor and the decision of the Supreme Court that the Coffee Board had to pay the Rs. 60 crores purchase tax. Earlier issues of the Bulletin have called attention to the need for the Coffee Board and other boards to be overhauled and to be prepared to function like corporate boards. The Minister of Commerce has stated the government is now ready to transfer greater responsibility to the Coffee Board. The fall in coffee prices from Rs. 41,000 per tonne in 1986-87 to Rs.27,800 in 1990-91 means that the volume of coffee production is increasing but prices are falling. At the international level exporters are getting a raw deal because the traders in the importing countries are absorbing all profits and have formed a strangle hold on the trade. In this situation the minister suggests that a) the state government of Karnataka reduce the 14.5 per cent purchase tax on coffee, b) growers should pay more attention to value addition and quality production, c) the mal practices in the coffee work should be ended by growers and traders acting in consort and d) the union government should fix a remunerative minimum price. The recently approved coffee development board plan should concentrate on raising productivity and become regular and reliable supplier of coffee both to meet the internal and export demand. One problem on which there is no movement is the stagnation in the domestic demand for coffee, which outside the South is not increasing. On *rubber* production natural rubber production has been projected by the Delhi based Industrial consultancy organisation at 365,000 tonnes in 1991-92 which is 10 per cent higher than last year. The target for the expansion of natural rubber plantation during the VIII Plan is 80,000 hectares, 65,000 hectares in non traditional areas from where production is expected to be 120,000 tonnes and through replantation in traditional areas 72,000 tonnes. If these targets and projections are realised our dependence of rubber imports can decrease.

III. Industrial Development of Tamil Nadu

The industrial development of the state in November had a number of plus and minus.

To start with the minuses, *first* CEI calls attention to the *ncn implementation* of the promises and pledges made by the government when it took office in the state and goes on to suggest the essential conditions for the growth of Tamil Nadu industry. It points to the slow pick up of industrial activity in the state although 3 months have passed since the new government set forth a fresh package of incentives but the public issues coming from the state are small, along with its viability to attract major investments from outside, which together with the overall economic crisis and credit squeeze on new project proposals worsen its industrial perspectives and growth. Against this backdrop, CEI proposes that the industrial policy should not be confined just to providing incentives and subsides but should become a potent instrument for stimulating industrial growth on a persistant basis. On energy, industry should be encouraged to carry out regular energy audits and support with incentives efficient use of energy. The tax structure should be rationalised and the activities of TIDCO, SIPCOT and TIIC should be coordinated, the free supply of power to the farm sector being discriminatory should be stopped. The state should not simply wait for the industrialists to ask and react, but like its counterparts in the union government should take the initiative in winding up unviable units, and ensure that both industry and trade unions are prepared for retrenchment, redeployment and retraining-all of which involves the state government reorienting its industrial relations policy. *Second,* the *industrial relations* in the state is no satisfactory. B & C Mills which had been closed for over a year, obtained for its management permission from the state labour commissioner to shift the process house which the trade unions had long opposed (see vol XXI p516) and so went an appeal to the court against this decision, and engaged in a lot of disturbance agitation. On the strike over the bonus issue in the textile mills, the Chief Minister had to intervene and her decision to grant last year's bonus in two parts was not implemented by a few mills who state they are suffering losses and had no funds to pay the bonus. On this issue, the labour unions went on a dharna and strikes against the mills involved. *Third,* the relation between *sea food exporters and the Madras Products Development Authority* (MPEDA) had reached a flash point. MPEDA is one of the few export promotion agencies headed by a bureaucrat and the board is packed with government officers with only marginal representation for the trade. Hence the industry's demands and needs are said to be over looked and officers are running the show, sidelining the experts. The exporters who pay the 1 per cent cess on exports amounting to Rs. 100 crores a year have no say in its disbursal and state that the promotion aspects are neglected and the money is spent on R & D and computerisation which brings them no immediate benefit. At bottom the problem is the clash of personalities, resulting in the exporter criticising as a white elephant MPEDA, which exists mainly to serve them. *Fourth,* the *foundries and mini steel plants* are facing a

crisis due to shortage of raw material. The mini steel plants are in deep crisis which they feel will worsen the prices of steel items which are already high, to rise further. Many of the mini steel plants (50 out of 160 plants) and many more foundries have been forced to close down for want of raw material. *Fifth, Ashok Leyland (and Telco)* face an official investigation into allegations that the 2 companies acted in concert to increase the price of heavy commercial vehicle manufactured by them. Truck owners have charged that the 2 companies (Telco which controls 70 per cent of the market and Ashok Leyland the balance of 30 per cent) have formed a cartel to jack up prices Hence Ashok Leyland and Telco are under investigations by MRTPC. *Sixth,* the supreme court committee on child labour has reported to the court that most of its October 31, 1990 directives are being violated by the *Sivakasi match and fire work factories,* the basic problem emanating from the piece rate system of payment which prevents the children from any kind of mutual or physical development as they are required to work from early dawn to late at night and are paid sub human wages. So it recommends a) abolition of piece rate wages and b) a phased programme to abolish child labour. *Seventh,* the recent order of the *State government requiring state government enterprises and autonomous corporations* to send all tenders/contracts for over Rs. 1 crore to the government for approval is regarded by the public sector units as 'interference' and erosion of their powers. This decision will not only delay the award of contracts and consequent completion of schemes, it will also open the door to government officials sharing in the leakage and corruption that is under way. *Eighth, SIPCOT* faced with huge arrears of term loans sanctioned to industrial units on which it should have taken corrective action immediately has now begun tightening the norms for grant of financial assistance. As at March 31, 1991 the term loan recovering performance showed that the net arrears were a high Rs. 60.77 crores out of Rs. 211.19 crores total outstanding. This accumulated arrears of 28.77 per cent and the tightening of the norms will not only affect the good entrepreneurs equally with the poor ones, it will also further derogate from the incentives to industrialisation offered by the new government. *Ninth, the Tamil Nadu Cement Corporation (TANCEM)* has at last along with CCI had its contract for the supply of 59,000 tonnes of cement to Jawahar Rozgar Yojana, which is a much lower than the contract for cement supply from 5 private companies and at Rs. 91.50 per bag while the latter are paid Rs. 92. This is a raw deal for the state enterprise. *Tenth, the Aromatics project* jointly sponsored by MRL was SPIC is still undecided by the union government and every day's delay sends-up its cost. *Eleventh,* the Linder (Germany) and RPG group joint project for setting up a petro chemical unit at Manali seems held up because the German firm which started with a commitment of $ 100 million equity, reduced later to $ 44 millions and still later to $5 million is holding up the project on the ground that in the United Germany it has now commitments for large projects and so has no funds even for the $5million equity. The real reason may be that the German fitm has began to have doubts about this 100 per cent export oriented project, as the world market for petro chemicals has slackened.

On the positive side there is a series of impressive developments to be noted. *First,* the signing of the agreement between the Birla and Khaitan companies and TIDCO for the mega project for

mining Jayamkondan lignite and launching the 1500 MW power plant has already been referred to. *Second,* the state government has introduced the much needed *"golden hand shake scheme"* in state public sector undertakings to deal with the problem of surplus manpower and to trim the mounting wage bill. This needs to be extended gradually to the private sector, which needs it equally urgently. *Third, SPIC* which maintains excellent production levels at a turnover of over Rs. 840 crores and is simultaneously pursuing innovative methods on environment management has been rightly awarded the Indian Chemical Manufacturers Association award for 1990 for outstanding enviromental management, using micro biological technology. *Fourth, CODISSIA* (the Coimbatore District Small Industries Association) has requested the Union government for the expeditious implementation of the proposed steel plant in Tamil Nadu, to meet the serious shortage in pig iron supplies faced by foundries and the shortages faced by the mini steel plant already referred to. *Sixth,* the state government is now ready to decide on the setting up of an *Infrastructure Development Corporation* on the basis of SIPCOT report on the corporation setting forth its role and functions. The setting up of the corporation was announced by the Chief Minister during the budget session of the Assembly and is one of the pledges to industry to stimulate its development. *Seventh, as Manali* is attracting more and more mega projects, particularly in the petro chemicals field, a tripartite study on the sustainability of the industrial belt at Manali to sustain more industries is underway with the Tamil Nadu Pollution Control Board, the Salim Ali School of Ecology, Pondicherry University and Manali industries undertaking the study jointly.19 major projects are located in Manali and in addition Rs. 3000 crores is expected to be invested in the two mega projects-NAPCO and PRG Lind petro chemicals. *Eighth, Madura Coats* proposes to set up an export oriented unit for spinning and weaving at a cost of Rs. 32 crores at Vikranasingapuram in Tirunelveli district. The project will have a capacity of 16,000 spindles and 100 looms will be implemented in a phased manner, starting in 1992. *Ninth, the Institute of Indian Foundry* - Coimbatore chapter - reports that export of castings from the foundry units in Coimbatore are poised to double this year to Rs. 7-8 crores, despite the difficulties faced by the units earlier referred to. *Seventh,* the *Tamil Nadu Magnesia* project is launched with the release of Rs. 5 crores towards the technical fee of Sulzer Brothers of Switzerland for the Salem project to manufacture high quality sintered magnesia (180 sm) out of Salem's magnesia ore. The Rs. 5 crore from the government is to be adjusted in the equity participation by Tanmag. The state is also transferring assets and granting mining lease for 40 years to the joint sector company, Indian Magnesia Product Ltd (IMPL). *Eighth,* Molybdenun deposits, sufficiently large for commercial exploitation have been identified by the Geological Survey of India in North Arcot and Dharmapuri districts. Of this 1.6 million tonnes identified, 1.35 million tonnes are classified as indicated risks and 0.25 million tonnes as inferred reserve. This in India is the first identification of the mineral to be found in lode range of 1.5 to 8.45 metres and a strike length of 1 km. *Ninth,*MRF reports a good performance in the eurrent year, 1991-92 despite the serious obstacles it has faced in the automobilies and tyre markets· It reports a high Rs.397.47 crores in the first six months, April-September (against Rs.343.29 crores in the first 6 months of

last year) and its higher gross profits at Rs. 3031 crores and tax payment of Rs.10 crores.

Thus for the month of November the plus and minuses in the industrialisation of the state seem somewhat evenly balanced.

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IV. Education, Science and Health

Educational reforms

In the continuing discussion and urging for universalising elementary education, a stage has been reached when the material side demands attention. The Fifth All India Education survey reports that about 840,000 elementary education schools function in ramshackle buildings, 32,000 in thatched huts, 12,900 schools in tents and 42,000 schools with no buildings or huts at all. This is the state of 12 per cent of our 700,000 elementary schools. On the other hand the percentage of funds spent on elementary education has declined from 55 per cent in the I plan to 34 per cent in VII Plan. Though the survey reports that 94.6 per cent of the rural population is served by primary schools within 1 km walking distance and 85.39 per cent of them with middle schools within 3 kms, these overall statistics hide the poor sections of society. The survey reports a 51 per cent dropout rate from primary and 44 per cent for elementary schools. This is being addressed by adjustments in the school time table to suit local needs especially seasonal demands, organisation of school clusters, incentives like free uniforms, text books and midday meals, and a more recent suggestion - to arrange vertical mobility of students from non formal to formal schools plus a sound base of parental and community support to local programmes to universalise elementary education. How far these are reducing the drop out rates, which make a mockery of the high enrolment percentages reported in the in the government annual reports remains to be seen. Under operations blackboard, 3.45 lakh primary schools in 4420 block have been covered, which is about half the total number. It is this material programme that needs to be given more funds and expanded, if elementary education is to be universalised. At the university level, backward class students are being exempted from fees in professional colleges in the state, which demands that the criteria of backwardness be strictly defined and applied. The new UGC chairman states that under the new government and the financial constraint it faces, the possibility of rationalisation of fees, that is raising college and university fees from the present low levels can be undertaken by the universities without fear of government intervention. But for this there has to be student co-operation and preparation which the Vcs and Professors should undertake, explaining the financial position to the students and their parents. because the same news item which reports that the UGC chairman favours fee rationalisation, also carries a report headed students plan stir against college fee rise". In this state one vice chancellor has called for a social audit of all educational institutions internally in order to

have them financially accountable so that they can discharge their function of providing quality education. This audit should go side by side with "fee rationalisation". The Japan Foundation is providing Rs. 3.25 crore to the Institute of Asian Studies in Madras for its buildings. This will help develop language study and research, which is much needed.

Adult literacy

Mizoram reports that it is 15 pet cent short of total literacy. Pondicherry is being declared fully literate on November 30, where 83.7 per cent of its population have gained literacy in the Total literacy drive. This total literacy campaign and BGVS are a new effort to push adult literacy. The central Board of Secondary Education has launched a special adult literacy drive for all its school in classes IX and XI, giving the participating students 1 mark for every illiterate made literate.

Technical education

The Government of India (Ministry of Agriculture) announced that Krishi Vigyan Kendras are to be opened in each district all over the country in the next 5 years. The Anna University, with financial help from Madras Refinery is opening a specialised M. Tech course in petro chemical and petroleum refinery. The post graduate course will meet the needs for high level manpower of the petroleum and oil industry sectors.

Science

The President of the Indian Science Academy on the eve of Annual Conference of the Academy at Pune, reviewed the state of scientifiy research in the country and said that Indian Scientific research was sliding downhill, despite the large funds spent on creating and maintaining several national laboratories in different disciplines, besides the functioning of DST, CSIR, UGC, Departments of Atomic Energy, Space and Ocean Research. Quetions about their quality and their use to the people are raised. Is it true that two thirds of the funds granted to science goes to meet expenses of a non scientific and non productive nature, as the exdirector of MAT Science states Selection procedures need to be reviewed to ensure that persons qualified are recruited and publication of research findings in journals must be according to well defined norms. With a sound base of Science and Technology, the country can achieve high standards in Science and Tecnology. For this political will and commitmennt are needed, are they lacking? A national Institute for training in petroleum safety is to be established in Nagothane in Raigad district. The Institute is being sponsored by Indo Petro Chemicals Corporation.

Health

In November several initiatives were taken in population control and family planning. Family planning performance varies widely from the all India figure of 33 births per thousand to 19.4 per thousand in Kerala, from all India mortality rate of 97 per thousand to 27 in Kerala, with Kottayam with its high 99.6 per cent literacy rate having a birth rate of 9.5 per thousand. The Family Planning Programme is still heavily dependent on incentives offered and is not a people's programme. Again the programme

has become a part of politics, with one government abolishing what the other government initiates. Further instead of finance and policy, emphasis is on Family Planning camps and health weeks with great publicity. Permanent method like Laproscopy and not pills are needed for villages and yet Doordarshan daily broadcasts pills. Where workers belong to the village, the programme is spreading and succeeds and this is what needs to be impressed on students in the medical curriculum. After a gap of over a decade and half, population control is coming on the national agenda. If funds disbursal are linked with rate at which a state is able to bring down the birth rate with 1991 as the base year and will concentrate on the 90 poor performance districts in UP, MP, Bihar and Rajasthan and a package of incentives and disincentives and the growing involvement of the voluntary sector, then the programme will tag on. With over 40 year of the government run family planning programme making only a small dent on the population growth of the country, it is time to tap the rich resources of motivated social activists in the voluntary sector. So an apex body called VAFAH (Voluntary Action for Family Welfare and Health] has been launched by the Ministry of Health to encourage these agencies to take on the population control programme. VAFAH should have access to other ministries-Education, Rural Development, Labour, Women and Child Development and the operation should be flexible, location specific and disbursement speedy. The Union government states that it has a draft plan for setting up a "Population Commission" to be headed by the Prime Minister at the union and Chief Minister at the state level. It should have s majority of voluntary agencies as members, if it is to be effectively operated. In collaboration with the Doheny Eye Foundation, US, the Medical Research Foundation, Madras has taken up a study of Eales disease which cause blindness among men and women because of an auto immune process. Also a diabetic research centre is being set up in Royapuram sponsored by the MV hospital housed on a 5 ground plot and will be ready at the end of 1992-93 to house advanced research laboratory and library and auditorium where the hospital will conduct educational programmes against diabetes.

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V. Employment and Labour Relations

The Indian Labour Journal in its September 1991 issue, the occasion of Independence, passes in review the Special Employment Programmes which supplement the employment generating in agriculture, industry and trade and the various sources. These special employment programme are 1) IRDP, 2) TRYSEM, 3) DWCRA, 4) NEEP, 5) RLEGP, (which later merged into the JRY) 6) SEPUP and 7) NRY. In addition it reviews the major programmes aimed at improving the conditions of workers · a) the Bonded labour system (abolition) Act 1976, b) the organising of rural workers starting with 415 Hon-

orary Research Organisers, c) the National Rural Labour Act in 1987, d) the Minimum Wages Act, 1948, e) the contract labour (Regulation ane Abolition) Act 1976, f) the child labour (Prohibition and Regulations Act 1986, g) the legal Remuneration (Amendment) Act 1987 for woman workers, h) the Inter-state Migrant Labour Workmen (Regulation of Employment and conditions of Services) Act 1979, i) the Central Industrial Relations Machinery with its 18 Regional offices, j) Industrial Disputes Statistics, k) vocational training, l) Apprenticeship training scheme, m) Social Security to workers and n) Workers 'Education Programme'. The poor record of the state on the NRY was earlier referred to under the economy sub sector, against which it is to be regretted that the government stated in Parliament that it does not propose to change its guidelines inspite of the information given to Parliament that the percentage of employment generation declined from 99.71 in 1989-90 to 94.83 in 1991-92. The government announced in early November that it was drawing up a master plan of operation to eliminate child labour in the country. The master plan is to be implemented in 1991-95. UNICEF is helping the government to strengthen the child labour cell at the National Institute to act as a back up agency to the Ministry of Labour. ILO also will help the programme with some finances.

VI. Other Items

Expose' on the current reform package and the VIII Plan impact

In early November, the Mohankumaramangalam Foundation organised a symposium in which every political party participated on the current packet of economic policy reforms. The Minister of Finance started the symposium explaining (and defending) the package as aimed at keeping down inflation and the imbalance in the trade balance and BOP in the short run and also aimed at the resumption of the growth of production and employment in the medium term. There were critiques of the part of the policy which throws open the economy to direct foreign investments, particularly to MNCs, and on the absence of emphasis on employment generation. The Deputy Chairman of the Planning Commission who chaired the symposium and spoke at an earlier meeting of ASSOCHAM and FICCI drew certain conclusions from the policy package for the direction of the VIII Plan in the form moving from the present planning procedures to those of indicative planning in which a major role will be that of the private sector. This is yet to be operationalised.

MANAR

There was a meeting of the committee with universities and autonomous colleges which were preparing to participate in the programme of Mass

Action for National Regeneration (MANAR) through the Adult Literacy programme. It was noted at the meeting that at present 5 of the 15 universities in the state were either operating the programme as in the case of Anna and Avinashilingam or were ready to operate it in the coming summer vacation period (veterinary and animal science university, Madurai Kamaraj and Gandhigram). Similarly 10 out of the 27 autonomous colleges were following the Madras Christian College model and have prepared the curriculam in which adult Literacy teaching is a part to be operated this summer. Under the programme, the staff and students live for two months in the village, teaching adults literacy and attending to their problems of drinking water, health, agriculture etc. The UGC has been requested to provide Rs. 1500 per person for the course to cover food and travel-the lodging will be provided by the villagers.

IIC

The last seminar of the India International Centre for 1991 on the Mid Year Review of the economy was held in mid November. Attended by 40 economists, planners and administrators, it surveyed the current scene and the economic reform policies introduced. It was the general consensus that the reforms are needed, though there was some disagreement on its attitude to the public sector and opening the doors of the economy to MNCs. It was agreed that it was too early to arrive at any kind of judgement on conclusion of the reform.

TN State Council for Science and Technology

There were two events during November related to the Tamil Nadu State Council for Science and Technology. The first was the meeting of the Governing Board of its cell for Information and Technology Transfers between university and industries. The progress achieved to date in 2 years was rather slow,' but the ground has been laid for its pick up. It was noted that most universities had set up a cell coordinating its departments technologies to meet industry's needs for technology or technological updating. Also it was noted that due to the survey the cell of the Industries' inhouse R & D showed a wealth of technologies being developed. These should be publicised through the cell's Newsletter, it was decided. The second meeting at the end of the month was the executive committee of the council which reviewed the ongoing and new research projects and noted the technical assessment of each by the body of experts. One new project and several grants to assist young scientists in attending scientific conferences were approved. Also grants were made to some universities and research institutions for running seminars in the thrust areas. The results of the seminar run by the council on the Geoglogical Information system in the areas of renewable resources were noted and its follow up was requested.

SRC and TNBCE

The meeting began with paying a tribute to the great educator Thiru Avinashilinga Chettiar who had passed away. The Governing Board of the State Resource Centre met at November end. It reviewed the programme of SRC association and aid to the Total Literacy Programme in 3 districts and the Preparatory work being done in 4 others which will soon join the Total

Literacy Campaign. The problem of the voluntary agencies not being associated with Total Literacy Campaign was noted and corrective action with the District Collector who is chairman of the District Total Literacy Campaign was suggested. In the executive committee of TNBCE which followed, the major discussion was an evaluation of the Annual Conference at Annamalai University. The committee paid grateful thanks to the Vice Chancellor and the staff for all their generous help and hospitality. The evaluation showed that the inaugural session should be brief for next year's Annual Conference, and that the complaints of the voluntary agencies vis a vis the Ministry of Education in Delhi and Madras and their role in the Total Literacy Campaign need immediate attention as decided.

Nutrition for old age

With the help of Helpage, Dr. Natarajan, head of the Geriatric department of the General Hospital has brought out an excellent little publication on the problem and solution of nutrition and food quality and intake for old persons. The book was released at the end of November at a meeting packed with old persons. The release function was used to dilate on the simple means suggested by the publication for keeping healthy in the old age by taking the right kind of food and so avoiding being a burden on the family or the state.

December Development Seminar

The paper for the December seminar, 'Recent Changes in the Trade Policy of India' by P Joy Oommen, together with a summary of the discussion on the paper, appears as the first article.

Second Article

'Some Thoughts on Decentralised Production' appears as the second article.

Publication Abstracts

A list of selected writings of Professor CT kurien appears in this section.

M I D S News

Dr. Paul P. Appasamy attended a seminar on "Drinking Water as a Waste Transport Medium - A Two Hundred year Error" organised by the Max Mueller Bhavan and others at I.I.T., Madras from 11th to 13th December, 1991 and presented a paper.

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Dr. S. Janakarajan attended a seminar on "Methodologies in Indian irrigation Research" organised by IFPRI at Trivandrum during 16th-17th December and presented a paper entitled, "Aspects of Data Management: Some lessons from Field Experience".

He also attended a seminar on "Farmers Participation in Managing Irrigation System" organised by Irrigation Management Training Institute at Trichur during 23rd-24th December and presented a paper entitled, "Irrigation Institutions and Organisations: Some Methodological Issues".

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Dr. A. Vaidyanathan (1) participated in a meeting of Economists to discuss current Balance of payments problems at the Reserve Bank of the India, Bombay; (2) chaired session on Statistics of Inter State Trade and the Conference of Central and State Statisticians, Bangalore; and (3) delivered Dr. John Mathai Memorial Lecture, Trichur, 10th January, 1992.

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Mr. S. Guhan presented a paper on "Social Security for the Unorganised Poor in India: A Feasible Blue Print" in a Symposium on Economic Growth and Poverty Alleviation organised by the United Nations Development Programme at the Indira Gandhi Institute for Development Research, Bombay on January 3-6, 1992.

He also participated and presented a paper at a seminar on Poverty and Relief organised by the Centre for the Study of Administration of Relief, New Delhi, January 9-11, 1992.

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Dr. Nasir Tyabji was the discussant for the NABARD approach paper at the National Consultation to Identification of Research Priorities in the Non-Farm Sector held at ISEC, Bangalore, on January 9-10, 1992.

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Dr. C. B. Padmanabhan presented a seminar at the Institute on "Objectives and Methodology of the Adult Education Evaluation project" on 18th December, 1991.

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Dr. Barbara Harriss, International Development Centre, University of Oxford visited the Institute and talked with concerned scholars about the possibility of resurveying Arni in 1993.

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An Overview of Trade Policy Changes in India During July to December 1991

by

P. Joy Oommen, I.A.S.
Joint Chief Controller of Imports and Exports, Ministry of Commerce, Govt. of India.

A number of changes with far reaching consequences have been introduced in the Trade Policy of the Country since July 1991. Accompanied by changes in monetary, fiscal and industrial Policies, the Trade Policy 'reforms' promise to free India from the era of stifling controls and integrate its economy with the global one. Within a period of five months almost all discretionary controls' on imports have been dispensed with. Export incentives have been rationalised and rules and procedures for claiming the incentives simplified. The Office of the Chief Controller of Imports and Exports has been rechristened as the Office of the Director General of International Trade. Shorn of more than ninety per cent of its licensing work, it would now become an agency for promotion of exports and facilitation of imports.

The contents as well as the timing of these reforms have predictably evoked mixed reactions. Industrialists and exporters have generally welcomed the changes, which they feel were long overdue. There are many economists and social scientists who feel happy that the country has finally taken the road to liberalisation after straying for too long into dreary sands of interventionist policies.

There are indeed many others who feel that India has, through a series of misadventures in recent past, inevitably landed at the door of the International Monetary Fund. And so from now on, they feel, we would be merely playing out the same script which has been played out in different corners of the world-from Chile to Sri Lanka-with dubious benefits in the long run and certain misery for the poor and lower middle classes, in the short run. Realistic exchange rate policies, real interest rates, removal of non-tariff barriers, abolition of industrial licensing, withdrawal of all Government subsidies : all form part of the same Script. Are all these policies suited to our domestic realities, they wonder.

A GLOOMY BACK DROP TO THE REFORMS

The period between September 1990 and June 1991 was, perhaps, one of the most agonising periods in the history of independent India. A period of political turmoil which left deep scars on the Nation's psyche; a time of humiliating near-default situations on the balance of payments front and also one one of paralysing resource crunch. How did the foreign exchange crisis come about? Was it afterall an inevitable outcome of all the wrong policies of yesteryears? The answer may not be easy. However, the immediate run-up to the crisis appears somewhat bizarre.

India's exports had showed steadily rising trends since 1986-87. The exports went up from Rs. 12,452 Crores in 1986-87 to Rs. 27,681 Crores in 1989-91. During the first three months of 1990-91 period also, the export scenario had looked brighter than ever before and the Ministry of Commerce had seriously considered the revising of export targets for the year upwards. It may now be perhaps only a matter of academic interest to realize that even during 1990-91, we had managed to achieve a growth of 17.5% in exports. The growth of exports to GCA Countries alone was 9.6% in the same year. It would have perhaps turned out that 1990-91 was the year of our best export performance with exports crossing Rs. 36,000 crores. That was not to be.

The slide started as late as in September 1990. The Gulf war took its toll in different ways. Remittances from the Gulf region dropped sharply, exports to the entire Middle East stagnated and the import bill on crude and petroleum products went up by leaps and bounds. It is estimated that the Country spent Rs. 10,800 crores during 1990-91 for import of crude and petroleum products against Rs. 6318 crores during the previous year. Yet, perhaps, the crisis went beyond control only with the onset of domestic political problems which appear to have largely influenced the decision of International Credit Rating Agencies to downgrade India steadily in their ratings. This in turn shut off the flow of commercial credit into the Country and also triggered off a flight of NRI funds out of the Country. In January, 1991, we faced the prospect of a default on payments and the situation was avoided by obtaining a 1.8 bn. loan from the International Monetary Fund. Commercial banks which were proposing to raise funds abroad gave up the idea against the background of a deteriorating credit rating. Default situations came up again and were averted by the Reserve Bank of India by raising funds abroad against gold.

While it is possible that the problem on the balance of payments front during 1990-91 were quite extra-ordinary, it is clear that the Country will have to pursue more sustainable economic Policies in the years to come in the context of uncertainties in domestic and international markets.

THE OBJECTIVES OF RECENT TRADE POLICY

The two Trade Policy Statements of the Union Minister for Commerce spell out the objectives of recent Trade Policy changes, as follows:-

1. To eliminate bureaucratic controls and enable the exporters and industrialists to respond more speedly to changes in international markets.

2. To strengthen incentives for exports without compromising the effort to reduce fiscal deficits.

5. To achieve optimal import compression without recourse to discretionary controls.

The overall purpose of the reforms was to ensure the speedier integration of India's economy with the global economy. A short-term objective was also perhaps to instil confidence in International Credit Agencies, Foreign Investors and Non-Resident Indian's about the determination of the new Government to pull the country out of the economic crisis.

THE CONTENTS OF TRADE REFORMS

The trade Reforms were actually flagged off by the decision of Reserve Bank of India to depreciate the external value of the rupee by about 18% in the first week of July. Though the wisdom of this decision to devalue the currency without making any special efforts to boost the volume of exports has been questioned by many observers, it surely helped the Ministry of Commerce in taking an immediate decision to withdraw the Cash Compensatory Support (CCS) Scheme. The Exim Scrip Scheme was introduced as a substitute incentive in place of the CCS Scheme and the erstwhile Replenishment (REP) Licences Scheme. The downward adjustment of the external value of the rupee was expected to compensate the exporter for any immediate loss on account of the abolition of CCS. Since the CCS appeared in the Government's budget as a subsidy, scrapping of the Scheme also meant that the Government would save nearly Rs. 2,400 crores in the current year itself. And surely the decision to cut export subsidy could also strengthen the hands of Finance Minister, when he would attempt to cut subsidies on food and fertilizers.

The introduction of the Exim Scrip Scheme enable the Government to abolish the issue of licences to large and medium units for import of raw materials, consumables, component and spares. Previously, the industrial units were expected to apply to the Regional Licensing Authorities for licences on the basis of essentiality of requirement certified by the Sponsoring Authorities like State Directors of Industries and Commerce and indigenous non-availability certified by any of the technical agencies like DGTD, Textile Commissioner, Drugs Controller etc. Licences for import of warranty spares (after sales service spares), emergency spares and also licences for import of dry fruits have also been dispensed with and all these can now be imported with Exim Scrips. Recently, the Government has also allowed the import of second-hand machinery under the OGL list and capital goods other than those under restricted category with Exim Scrips. So, a stage has come when virtually no one has to perforce acquire a licence from the Government for import of capital goods (other than a few restricted category items), components spares or raw materials. Many items under the restricted categories have also been shifted to the Exim Scrip route. A number of items which were canalised for import have been decanalised and the industrial units or importer can use now Exim Scrips for import of the items.

The Government has also reviewed the list of items restricted for export or were under quota restriction for exports. The items, that remain on the restricted list now are essentially minerals and metals of strategic importance or items which are environmentally sensitive. There are some quota restrictions to export of primary commodities or raw

materials which are in short supply within the Country.

The benefits of trade reforms could have reached the importers and exporter only through simplification of rules and documentation of procedures. It has therefore been declared by the Government of the simplification of rules and procedures as well as time limits for disposal of applications from the Regional offices of the Director General of International Trade from important components of trade reforms. The rules and procedures relating to the two major export promotion Schemes viz. the Exim Scrip Scheme and the Duty Exemption Scheme have been simplified. Exim Scrips are to be issued to the exporters within 48 hours from the submission of the application supported by a Banker's Certificate regarding realisation of export proceeds. The rates at which Exim Scrips are issued to 100% Export Oriented Units and Units in Free Trade Zones as well as units availing of Duty and Exemption Scheme facilities have been brought on par with Exim Scrip rates for normal exports. To facilitate issue of licences under the Duty Exemption Scheme for export production, input-output norms for a large number of commonly exported products have been notified. Licences in all cases where such norms are notified would be issued within a period of 15 days from the date of submission.

It has also been decided by the Government to restructure and rename the organisation under the Chief Controller of Imports. The organisation is being reorganised and the staff retained to play the role of an export agency of the Government to be headed by the Director General of International Trade. The Export Promotion councils have been asked to concentrate their efforts on product development and market development and also to be self-reliant in terms of fund requirements The various Export Promotion Agencies under Ministry of Commerce are being reorganised to avoid duplication of efforts.

In the case of 100% Export Oriented Units and the units located in Free Trade Zones or Export Processing Zones, there has been great deal of delegation of powers to the Development Commissioners of Export Processing Zones. The Ministry of Commerce has also stepped up the pace of computerisation of Regional Licensing Offices, thereby reducing paper work as well as time required for disposal of cases. Various Screening Committees which existed in the Regional Licensing Offices have been abolished thereby, further facilitating the issue of licences and Exim Scrips. The incentive structure for Export Houses and Trading Houses has also been simplified.

One major achievement of the Government in its efforts to make the operation of the Policy simpler for importers and exporters has been the publication of the Harmonized Code for products which brings in much greater transparency in the identification of products and thereby virtually eliminates the possibilities of friction amongst Government Departments as well as between importers/exporters and the Customs Department.

TRANSITIONAL AND OPERATIONAL PROBLEMS

The Exim Scrips Scheme was launched by the Govt. in the first week on August 1991. Initially, since the Scrips were issued without mentioning the name of the exporter and since there were no clear guidelines on the transfer

of the scrips, there was some confusion and apprehension among the officials of Licensing offices as well as the beneficiaries of the scheme. The decision of the Government to issue Exim Scrips at a uniform rate of 30% to all export products also caused some heart-burns. The Government has since then accepted the suggestion of exporters to issue the scrips with their names on it and also for transfer of scrips in the same way as the replenishment licences used to be transferred in the past. The Government has also decided to grant higher rates of Exim Scrips (additional 10% of f.o.b value of exports) to certain value added or high technology products.

During October-November, 1991 the premium on Exim Scrips dipped to below 25 per cent causing anxiety among exporters about the efficacy of Exim Scrip as an export incentive. The anxiety was not only on account of the fall in rate of premium, but also because of the realisation that premium rates could fluctuate sharply depending on market conditions. Exporters and in particular, small exporters expect incentive, to fetch them a steady return and also easy fo handle. The earlier incentive of Cash Compensatory Support probably met these requirements as the rates were known in advance and the payments were received in the form of readily encashable cheques. Perhaps, it is only a matter of time before the exporter gets adjusted to the new system and works out a method for getting the best returns from the scrips.

Though the manufacturers of products for the domestic market and other importers have welcomed the abolition of licensing procedure, they are increasingly uneasy about the high cost of imports. The steady depreciation of the rupee even after the sharp devaluation of July and the premium payable on the exim scrips have made imports costlier by about 40 to 45 percent compared to pre-July import prices. They feel that the benefits of liberalisation on the import front can reach them and the consumers only if the costs of imports are brought down through reduction in tariffs. Given the present position of budgetary deficits, it appears unlikely that the Finance Minister would be able to give any reliefs to importers in the current financial year.

The severe credit curbs imposed by the Reserve Bank of India along with the higher costs of imports had compressed imports into the Country, to the extent of nearly Rs.3000 crores since January 1991. Though exports have begun to pick up momentum only from the month of September 1991, the foreign exchange reserves position has improved considerably, thanks essentially, to the import curbs and the flow of remittances from abroad under the amnesty schemes. Press reports indicate that the foreign exchange reserves are poised to cross the Rs. 10,000 crores mark very soon. The Reserve Bank of India has withdrawn some of the restrictions on opening of letters of credit and also reduced the margin requirements of imports. However, it appears quite obvious that, unless the Reserve Bank of India constantly monitors the Foreign Exchange Reserves position, and brings in curbs at approriate intervals, we shall continue to struggle along. Even Reserve Bank of India cannot perhaps avoid selective controls on imports, in the larger interests of the country in terms of priority sectors. And will that mean, that, discretionary controls will necessarily remain, though, the authorities exercising them would be different?

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Summary of Discussion

The author highlighted major changes introduced in the Trade Policy regime since July 1991 basically meant to free the economy from the era of stifling controls and integrate it to the rest of the world. Incidentally the Chief Controller of Imports and Exports had been rechristened as the office of the Director General of International Trade.

The Gulf war had its own repurcussions as NRI remittances feel sharply and country's oil import bill also started to burgeon. As a sequal to trade reforms the RBI was forced to depreciate the external value of the Rupee by about 18% in July as being one of the conditions put forth by IMF for India's loan commitments. Subsequently the Ministry of Commerce withdrew the Cash Compensatory Support (CCS) scheme and Exim Scrip Scheme took its place. The rationale being that CCS was viewed as a subsidy in the government budget and scrapping of the scheme meant nearly Rs. 2400 crores in savings. The Exim Scrip Scheme also allowed to dispense with erstwhile licenses granted to large and medium units for imports of raw materials, consumables, component and spares.

Presently they are allowed to import second-hand machinery and capital goods under OGL list. The benefit of the above (reforms however were conditional and subject to simplification of rules and documentation procedures pertaining to trade. Hence the rules and procedures relating to two major export promotion schemes viz,; the Exim Scrip Scheme and the Duty Exemption Scheme has been simplified by the government.

While local producers and importers had welcomed the abolition of licensing procedure, they are uneasy over high cost of imports. The depreciation in value of rupee after devaluation in July and the premium payable on exim scrips made imports costly by 40-45 percent. This malady could be rectified only through reduction in tariff rates which in the background of the already existing budgetary deficits would prove to be a deterrent to the importers. Additionally the credit curbs imposed by RBI along with higher cost of imports had compressed imports to the tune of Rs. 3000 crores since January 1991, he asserted.

In the discussions that followed questions were raised on what exactly was the significance of Exim scrips. It was pointed out that Exim Scrip Scheme was location specific and varied from region to region. While CCS was easy to handle and assured a steady return, this was not the case with the Exim scrips. Further, the curbs on imports by RBI and credit curbs by banks led to several hardships for importers.

Another question pertained to the devaluation attempts made by the government since 1966 and subsequent adjustment of exchange rates. The basis and rationale of such adjustments, weight of the limited basket of currencies, realistic market value and parity were all questioned. Whether the economic crisis was aggragated by Gulf war or NRIs or whether the government made any attempt to fulfill all its export obligations were other issues raised.

The author responded to the queries and mentioned that 'hawala' rates existed in the economy and illegal transactions and trade existed side by side which thwarted government efforts to streamline procedures and trade policy reforms. The government's intension however was to get rid off all trade distorting controls he asserted.

The rationale of integrating the Indian economy to the global one was however questioned since India had its own domestic problems and priority areas like poverty and unemployment which were to be fully tackled. It was felt that since we had exhausted all our resources and with limited options was forced to go to the IMF. Yet the efficacy of going in for such loans were questioned in the background of the escalating foreign debt.

It was also felt that drastic reduction in the non plan expenditure not only would be desirable but must also be seen as a policy option to mitigate the problems faced by the country. Related to the above issue was the observation of 90 percent of licensing work earlier handled by the office of the Chief Controller of Imports and Exports, the need to prune the staff was suggested.

The question was raised in the context of political turmoil faced by the country and escalating imports of crude oil and edible oil. It was pointed out that India had one of the best agroclimatic regions of the world yet agro-processing industries were neglected and even substitutes were not properly tapped even though alternativas existed. In the field of marine products termendous potential existed which was yet to be tapped along the coast line of Tamil Nadu. Question was also raised to what extent exports could be increased further given that the exports were doing well. The Government had advocated a policy of import substitution and then export promotion and now the emphasis is more on the latter. It was argued that while export surplus was the indicator for quantum of exports it was equally important whether subsidies in various forms had really boosted our exports in international markets since substantial payments were made to the rupee payment areas.

The crucial question raised was the purpose of exports, the major objective was to pay for essential imports and service our debt burden. The whole question of what are essential imports and related issues as to who decides imports, what to import and the quantum is a difficult proposition since it is difficult to define objective criteria for imports as there are no easy answers.

Price stabilisation mechanism also meant creation of buffer stocks and distribution of essential commodities for weaker sections through public distribution system. One case point was the export of Basmati rice where the minimum export price and its actual realisation in international markets did not tally.

In actual practice free play of market forces desirable and propogated in the

context of liberalisation does not work smoothly due to political priorities, lobbying and bureaucratic controls. The policy on exports it was felt has to be based not merely on market competitveness alone, but cost of production and local demand were also equally important.

Another participant also raised the question of government's export policy in the midst of rising 'inflation' and considered how under restricted monetary policy regimes liberal imports persisted and if inflation was allowed to continue the effect of government policies would be put to test. The author admitted that devaluation package as envisaged by the government was basically meant to provide an incentive to exporters but that did not work in actual practice viewed from the recent experience.

—V JACOB JOHN

Some thoughts on Decentralised Production*

Decentralised production

When decentralised production as opposed to centralised production in India is referred to, it is important to bear in mind that in terms of the number of producing units involved, number of individual workers employed, production is decentralised. All of agriculture is decentralised, most of animal husbandry and its connected activities are decentralised, most fishing work is decentralised, in the manufacturing field the preponderance of the decentralised sector is brought out in the data that as of 31 March 1989 there are 17 lakh small units of all types, just the organised sector of which employs 120 lakh persons, produces Rs. 82,400 crores of goods, exports over 30 per cent of total exports at Rs. 4535 crores.[1] The data on the units in the informal sector is not available.

As early as in 1976, the Vagli Committee on Khadi and village industries in the Indian economy presented its report in which the striking words "the decentralised sector of the Indian economy is the concealed mass of the iceberg whose dazzing peak is the organised sector" and it is this visible small tip of the iceberg which receives all attention. This is a case of the tail wagging the dog.[2]

Taking up the issue of the decentralised sector, it is now necessary to look at the two broad divisions of the economy—Agriculture and Industry—to see how the criteria and objective of decentralised production by the masses of people is being observed and operated.

Agricultural Production

In agriculture and allied activities—animal husbandry and fisheries, there is already decentralised production by the cultivating farmer, cattle user and fisherman. Infact here the fragmentation and minutisation of cultivating, fishing and milk producing assets is such that from the early days of the country's independence, some means of consolidating these small assets and holdings has been the object of search and study. The 1980 agricultural census and the various NSS data[3] show that between 1976 and 1981 operational holdings increased, small holdings (below 2 hectares) increased from 81 million to 89 million, and marginal holdings (below 1 hectare) increased from 44.5 million to 50.5 million. With 175 million hectares and 90 million rural households, the operated land per farming household works out to 1.8 hectares which is inadequate to feed a family of 517. Similar operationally unviable proliferation

*An article by Dr. Malcolm S. Adiseshiah for the Birth Centenary Celebrations of Jamnalal Bajaj Gandhigram Rural Institute, Gandhigram, Dec. 10, 1991.

of small units are found in fisheries and animal husbandry. The first attempt to deal with his problem of unviability in farm holdings and operations was Pandit Nehru's experiment with cooperative farming and various attempts at bringing together small scattered holding under the community development and rural extension services programme. There have been a few successful attempts to reverse this extreme and distorted forms of decentralisation. Punjab, Haryana and West UP have effected consolidation of fragmented holdings, which has contributed to their agricultural prosperity. In the case of milk marketing and distribution, the cooperative movement, following in particular the Anand model, has brought together individual animal husbandry men and women and helped to overcome their disabilities flowing from their separated and individual operations. But over agriculture and related activities, as a whole, the kind of decentralisation that has developed has been a contribuant to the farmers low levels of living and the exploitation of women's labour by the larger farmer.

Manufacturing and Services Sector

In manufacturing, the decentralised production is conducted in and through the small scale sector. Its composition of 17 lakh units earlier referred to covers three rather distinct groups. First, the organised small scale enterprises which was defined as those having capital investment in plant and machinery upto Rs. 7.5 lakhs per unit in 1966-67 which was increased to Rs. 10 lakhs in 1976-77, further increased to Rs. 35 lakhs in 1986-87 and in the latest 1990 announcement to Rs. 60 lakhs. The second group comprises ancillary units which were defined on the 4 dates, as those with a maximum investment of Rs. 10 lakhs, Rs. 15 lakhs, Rs. 45 lakhs and Rs. 75 lakhs. A new category of export oriented small sector is allowed to go up to Rs. 5 lakhs. The third group is the tiny industry sector which are those with investment upto Rs. 2 lakhs which in the 1990 industrial policy definition has been raised to Rs. 5 lakhs. (The Khadi and Village Industry Commission units fall in this group).

Policy changes

On August 1991, a further development in the small scale sector was the document placed before Parliament with the title "Policy Measures for Promoting and Strengthening small, tiny and village enterprises". This document made several changes with regard to the small and and tiny sector of which one is rather important. It is that of extending the tiny sector to include services and not only manufacturing. This is important because the major contribuant to our Gross Domestic Product is the Services Sector at 39 per cent in 1989-90, when agriculture and allied activities contributed 28 per cent and industry 27 per cent. So from here on now, we have to take into account all activities in tiny service sector where the investment is less than Rs. 5 lakhs. Only it is not investment in plant and machinery because most services like cleaning, security, scavenging, consultancy do not have any plant and machinery. Only a few services like those offering machine based services invest in typewriters, cyclostyling machines, photocopiers, or those offering snacks and restaurant services which invest in furniture. cooking ovens/stoves, pressure cookers etc. can pass this test of investment in plant and machinery. For the vast majority of tiny services, the investments will be much smaller than the Rs. 5 lakhs

and will be in various forms of human activity which need to be listed. So the tiny services sector is now a part of the small scale scale sector. The August document also abolished the locational limitation of the tiny sector to villages and small towns with population of 50,000. Now tiny units will cover larger towns (those above 50,000) as well as smaller towns and villages so long as the capital invested is below Rs. 5 lakhs. Thus there is now a distinction between small industries in which the document sets forth the aim as being to make them efficient and cost effective and to promote growth of output, employment and exports; and village industries whose aim is to promote rural industrialisation and employment, especially of the weaker and backward sections of the population. Thus while employment generation is common to both groups, small and tiny units and village industries, the employment promotion of the former is to be judged by the extent to which it promotes cost efficiency, whereas the employment of the village industries aims at promoting the welfare of the poor and the backward. The khadi and village industry commission units combine both. A glance of the 18 KVIC enterprises set forth in the Dagli report, now increasing to 34 in the various National Sample Surveys, show very small average assets per unit and very small value added, in them but the optimum size of the unit shows that it is cost beneficial. Its character of low capital output ratio and low capital labour ratio gives the KVIC enterprises an edge over larger units in this capital scarce economy. The limitation faced by the units is that though KVIC works through state khadi and village organisations, the state government have not supported the KVIC units - except to a limited extent in the case of handlooms and sericulture. The two major problems faced by these enterprises and small sector generally are marketing and credit.[4]

Backward areas

One of the aims of the small sector which recent policy statements seem to ignore is the development of backward areas. One of the aim of Gandhiji in regard to village economic activities was that each village will produce the greater part of what the mass of its people need in the way of food, housing and clothing. This principle of the masses producing what they need atleast at the consumption level has been gradually abandoned, so that we now have our villages, including our backward villages, being flooded with machine produced mass consumer goods - sugar, kerosene, textiles, tiles, roofing materials, milled rice etc. Hence this type of decentralised production by the mass is now out of the question, because it will call for banning machine made goods and the flow of goods from outside the village, which is not a practicable possibility. In fact to ensure the marketing of such village industry products as are produced, there will have to be use of machinery, raw materials, credit and skilled labour which will link the village with the national market. A further positive feature of the small sector which has been pointed out is that it helps both to develop and utilise local skilled leadership as against migrant entrepreneurship.[5]

Sickness

Of the 17 lakh small units as of March 31, 1989 the Reserve Bank Reports that 2.41 lakh units—14 per cent of the total are classed as sick. Even more worrying is the report that 2.24 lakh

units, that is 93.2 per cent, are considered non viable. On this, very little has been done, with regard to preventive and curative measures, despite legislation, and the setting up of the Board For Industrial and Financial Reconstruction (BIFR)[6] what should be given consideration is: (1) the selling off of the remaining assets of the non viable units and offering the proceeds and the needed credit to new young entrepreneurs to start viable small units. (2) the taking of preventive measures which will involve greater care in selecting small units for credit and other assistance, and giving them the right kind of aid in adequate quantity and at the right time: (3) the curative measures also involve a more effective nursing programme which can be judged by how many units and how soon they are put on their feet, and funds now tied up in them released to start new enterprises[7]

Further Futures

The increasingly predominent role played by decentralized small units in all sectors in all industralising economies is attributed to six factors. They are-

(a) The "Decentralizing" influence of certain new technologies such as Numerically Controlled (NC) machines (or, for that matter, Desk Top Publishing).

(b) Organisational and productive flexibility, which tends to be within the domain of smaller firms in a volatile market caused by increased globalisation.

(c) Increasing entry of women in the work force with women tending to work in smaller firms and later start their own firms.

(d) Proliferation of changed consumer preferences from standardized mass-produced goods towards stylised and personalized products.

(e) The deregulation movement, which has contributed to the entry of small firms in areas so far occupied by large and medium firms, such as telephone manufacturing and financial services.

(f) The current experience with regard to "creative destruction", wherein entrepreneurs with new products and processes tend to displace entrenched firms and institutions"[8].

Has this a relevance to India and its New Small Enterprises.?

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*Dr. C. T Kurien who was the Director of the Madras Institute of Development studies from 1978 to 1988 and subsequently worked as Professor in the Institute retired in July 1991. At the time of his retirement members of the Institute decided that it could be desirable to compile a bibliography of his writings.

Dr. Kurien did not keep proper record of his writings and publications till he joined the Institute. Even after the Institute's Academic Council was formed in 1981 and faculty members were required to report their written work to it periodically, his reports consisted only of his professional and academic writings and not the variety of writings he contributed to newspapers, popular periodicals etc.

At the request of his colleagues and Ph.D Scholars, Dr. Kurien somewhat reluctantly made available to them his old files and reprints. On the basis of the material thus obtained a compilation of his writings was prepared. The bibliography given below is a chronological rearrangement from that compilation.

Dr. Kurien continues his association with the Institute as Professor Emeritus.

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Editor : Dr. Malcolm S. Adiseshiah. Published by Dr. S. Neelakantan for Madras Institute of Development Studies, 79, Second Main Road, Gandhinagar, Adyar, Madras 600 020, India.
printed at reliance printers, 9, sardar patel road, madras-600 020.